



**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 2017**

\* *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.**

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the directors of Sing Lee Software (Group) Limited (the “Company”) (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## RESULTS

The board of Directors (the “Board”) of Sing Lee Software (Group) Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2017, together with the unaudited comparative figures for the corresponding periods in 2016, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

|   | Notes | Three months ended<br>30 June         |                                       | Six months ended<br>30 June           |                                       |
|---|-------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
|   |       | 2017<br><b>RMB'000</b><br>(Unaudited) | 2016<br><i>RMB'000</i><br>(Unaudited) | 2017<br><b>RMB'000</b><br>(Unaudited) | 2016<br><i>RMB'000</i><br>(Unaudited) |
| Revenue   | 2     | 15,081                                | 14,474                                | 17,995                                | 19,190                                |
| Cost of sales   |       | (6,683)                               | (5,619)                               | (12,699)                              | (11,327)                              |
| <b>Gross profit</b>   |       | <b>8,398</b>                          | 8,855                                 | <b>5,296</b>                          | 7,863                                 |
| Other income  | 3     | 2                                     | 98                                    | 509                                   | 1,034                                 |
| Other gains and losses  |       | 907                                   | (1,142)                               | 1,140                                 | (498)                                 |
| Distribution and selling expenses   |       | (2,713)                               | (1,565)                               | (5,970)                               | (3,357)                               |
| Administrative expenses   |       | (6,873)                               | (3,458)                               | (10,947)                              | (7,863)                               |
| Recovery on trade receivables   |       | 1,416                                 | 83                                    | 1,698                                 | 85                                    |
| Research and development costs  |       | (2,582)                               | (1,625)                               | (5,001)                               | (3,722)                               |
| Finance costs   |       | (472)                                 | (257)                                 | (943)                                 | (483)                                 |
| <b>Profit (loss) before tax</b>   |       | <b>(1,917)</b>                        | 989                                   | <b>(14,218)</b>                       | (6,941)                               |
| Income tax expense  | 4     | (345)                                 | (255)                                 | (345)                                 | (255)                                 |
| <b>Profit (loss) and total<br/>comprehensive income<br/>(expenses) for the period</b> |       | <b>(2,262)</b>                        | 734                                   | <b>(14,563)</b>                       | (7,196)                               |
| <b>Earnings (loss) per share</b>  |       |                                       |                                       |                                       |                                       |
| – Basic ( <i>RMB cents</i> )  | 5     | <b>(0.26)</b>                         | 0.08                                  | <b>(1.68)</b>                         | (0.83)                                |
| – Diluted ( <i>RMB cents</i> )  | 5     | <b>(0.26)</b>                         | 0.08                                  | <b>(1.68)</b>                         | (0.83)                                |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

|   | Notes | As at<br><b>30 June<br/>2017</b><br><b>RMB'000</b><br><b>(Unaudited)</b> | As at<br>31 December<br>2016<br><i>RMB'000</i><br>(Audited) |
|---|-------|--|---|
| <b>Non-current Assets</b>                             |       |  |   |
| Property, plant and equipment                         |       | 7,666  | 7,525   |
| Intangible assets                                     |       | <u>1,603</u>   | <u>1,802</u>  |
|   |       | <u><b>9,269</b></u>  | <u>9,327</u>  |
| <b>Current Assets</b>                                 |       |  |   |
| Inventories   |       | 851  | 427   |
| Trade and other receivables                           | 7     | 43,239   | 41,383  |
| Held for trading investments                          |       | 737  | 707   |
| Bank balances and cash                                |       | <u>9,821</u>   | <u>23,186</u>   |
|   |       | <u><b>54,648</b></u>   | <u>65,703</u>   |
| <b>Current Liabilities</b>                            |       |  |   |
| Trade and other payables                              | 8     | 11,802   | 12,980  |
| Amounts due to directors                              |       | 921  | 1,037   |
| Amount due to immediate holding company               |       | 11   | 12  |
| Tax payable   |       | -  | 1,661   |
| Borrowings  | 9     | <u>6,189</u>   | <u>4,444</u>  |
|   |       | <u><b>18,923</b></u>   | <u>20,134</u>   |
| <b>Net Current Assets</b>                             |       | <u><b>35,725</b></u>   | <u>45,569</u>   |
| <b>Total assets less current liabilities</b>          |       | <b>44,994</b>  | 54,896  |
| <b>Non-current Liabilities</b>                        |       |  |   |
| Borrowings  | 9     | <u>52,324</u>  | <u>51,638</u>   |
| <b>Net Assets (Liabilities)</b>                       |       | <u><b>(7,330)</b></u>  | <u>3,258</u>  |
| <b>Capital and reserves</b>                           |       |  |   |
| Share capital   |       | 8,551  | 8,551   |
| Reserves  |       | <u>(15,881)</u>  | <u>(5,293)</u>  |
| <b>Total Equity (Deficit on Shareholders' Equity)</b> |       | <u><b>(7,330)</b></u>  | <u>3,258</u>  |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2017*

|  | Share<br>Capital<br><i>RMB'000</i> | Share<br>premium<br><i>RMB'000</i> | Statutory<br>reserve<br><i>RMB'000</i> | Translation<br>reserve<br><i>RMB'000</i> | Share<br>option<br>reserve<br><i>RMB'000</i> | Accumulated<br>losses<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|--|------------------------------------|------------------------------------|--|--|--|---|-------------------------|
| At 1 January 2017 (Audited)                          | 8,551                              | 158,608                            | 3,613                                  | 5,217                                    | 31,472                                       | (204,203)                               | 3,258                   |
| Loss and total comprehensive expenses for the period | -                                  | -                                  | -                                      | -  | -  | (14,563)                                | (14,563)                |
| Recognition of equity-settled share-based payments   | -                                  | -                                  | -                                      | -  | 3,975  | -                                       | 3,975                   |
| At 30 June 2017 (Unaudited)                          | <u>8,551</u>                       | <u>158,608</u>                     | <u>3,613</u>                           | <u>5,217</u>                             | <u>35,447</u>                                | <u>(218,766)</u>                        | <u>(7,330)</u>          |
| At 1 January 2016 (Audited)                          | 8,551                              | 158,608                            | 3,613                                  | 5,217                                    | 31,953                                       | (212,522)                               | (4,580)                 |
| Loss and total comprehensive expenses for the period | -                                  | -                                  | -                                      | -  | -  | (7,196)                                 | (7,196)                 |
| Lapse of share options                               | -                                  | -                                  | -                                      | -  | (116)  | 116                                     | -                       |
| Recognition of equity-settled share-based payments   | -                                  | -                                  | -                                      | -  | 797  | -                                       | 797                     |
| At 30 June 2016 (Unaudited)                          | <u>8,551</u>                       | <u>158,608</u>                     | <u>3,613</u>                           | <u>5,217</u>                             | <u>32,634</u>                                | <u>(219,602)</u>                        | <u>(10,979)</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 realisable 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 capitalisation issue. The enterprise expansion fund can be used for expanding the capital base of the PRC subsidiaries by means of capitalisation issue.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

|   | <b>Six months ended 30 June</b> |             |
|---|---------------------------------|-------------|
|   | <b>2017</b>                     | 2016        |
|   | <b>RMB'000</b>                  | RMB'000     |
|   | <b>(Unaudited)</b>              | (Unaudited) |
| Net cash used in operating activities                                 | <b>(15,861)</b>                 | (18,033)    |
| Net cash used in investing activities                                 | <b>(480)</b>                    | (34)        |
| Net cash generated from financing activities                          | <b>2,976</b>                    | 1,902       |
|   | <hr/>                           | <hr/>       |
| Net decrease in cash and cash equivalents                             | <b>(13,365)</b>                 | (16,165)    |
| Cash and cash equivalents at<br>beginning of the period               | <b>23,186</b>                   | 18,901      |
|   | <hr/>                           | <hr/>       |
| Cash and cash equivalents at the end of<br>the period represented by: |                                 |             |
| Bank balances and cash  | <b>9,821</b>                    | 2,736       |
|   | <hr/> <hr/>                     | <hr/> <hr/> |

Notes:

## **1. GENERAL**

The unaudited consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements set out in Chapter 18 of the GEM Listing Rules and International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”).

The unaudited consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016.

The unaudited consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the IASB, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on GEM.

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

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

The principal accounting policies and methods of computation adopted for the preparation of the unaudited consolidated interim financial statements are the same and consistent with those adopted by the Group in its audited annual financial statements for the year ended 31 December 2016.

## **2. REVENUE AND SEGMENT INFORMATION**

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

## 2. REVENUE AND SEGMENT INFORMATION (Cont'd)

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

### For the six months ended 30 June 2017

|  | Sale of<br>software<br>products<br><i>RMB'000</i><br>(Unaudited) | Sale of<br>related<br>hardware<br>products<br><i>RMB'000</i><br>(Unaudited) | Provision<br>of technical<br>support<br>services<br><i>RMB'000</i><br>(Unaudited) | Total<br><i>RMB'000</i><br>(Unaudited) |
|--|--|---|---|--|
| External sales and<br>total revenue –<br>segment revenue | <u>3,691</u>   | <u>157</u>  | <u>14,147</u>   | <u>17,995</u>                          |
| SEGMENT RESULTS  | <u>(4,105)</u>   | <u>(159)</u>  | <u>(9,614)</u>  | (13,878)                               |
| Unallocated other income                                 |  |   |   | 509                                    |
| Unallocated other gains<br>and losses                    |  |   |   | 1,140                                  |
| Unallocated corporate<br>expenses                        |  |   |   | (1,046)                                |
| Finance costs  |  |   |   | <u>(943)</u>                           |
| Loss before tax  |  |   |   | <u>(14,218)</u>                        |



## 2. REVENUE AND SEGMENT INFORMATION (Cont'd)

For the six months ended 30 June 2016

|  | Sale of<br>software<br>products<br><i>RMB'000</i><br>(Unaudited) | Sale of<br>related<br>hardware<br>products<br><i>RMB'000</i><br>(Unaudited) | Provision<br>of technical<br>support<br>services<br><i>RMB'000</i><br>(Unaudited) | Total<br><i>RMB'000</i><br>(Unaudited) |
|--|--|---|---|--|
| External sales and<br>total revenue –<br>segment revenue | <u>2,389</u>   | <u>993</u>  | <u>15,808</u>   | <u>19,190</u>                          |
| SEGMENT RESULTS  | <u>(794)</u>   | <u>(330)</u>  | <u>(5,257)</u>  | (6,381)                                |
| Unallocated other income                                 |  |   |   | 1,034                                  |
| Unallocated other gains<br>and losses                    |  |   |   | (498)                                  |
| Unallocated corporate<br>expenses                        |  |   |   | (613)                                  |
| Finance costs  |  |   |   | <u>(483)</u>                           |
| Loss before tax  |  |   |   | <u>(6,941)</u>                         |

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

## 2. REVENUE AND SEGMENT INFORMATION (Cont'd)

### Other Segment information

#### For the six months ended 30 June 2017

|  | Sale of<br>software<br>products<br><i>RMB'000</i><br>(Unaudited) | Sale of<br>related<br>hardware<br>products<br><i>RMB'000</i><br>(Unaudited) | Provision<br>of technical<br>support<br>services<br><i>RMB'000</i><br>(Unaudited) | Total<br><i>RMB'000</i><br>(Unaudited) |
|--|--|---|---|--|
| Amounts included in the measure of segment loss:                               |  |   |   |  |
| Depreciation of property, plant and equipment                                  | 71   | 3   | 274   | 348                                    |
| Amortization of intangible assets  | 41   | 2   | 156   | 199                                    |
| Recovery of trade receivables previously impaired                              | (348)  | (15)  | (1,335)   | (1,698)                                |
| Share-based payment expenses (excluding Directors and chief executive officer) | <u>871</u>   | <u>37</u>   | <u>3,339</u>  | <u>4,247</u>                           |

#### For the six months ended 30 June 2016

|  | Sale of<br>software<br>products<br><i>RMB'000</i><br>(Unaudited) | Sale of<br>related<br>hardware<br>products<br><i>RMB'000</i><br>(Unaudited) | Provision<br>of technical<br>support<br>services<br><i>RMB'000</i><br>(Unaudited) | Total<br><i>RMB'000</i><br>(Unaudited) |
|--|--|---|---|--|
| Amounts included in the measure of segment loss:   |  |   |   |  |
| Depreciation of property, plant and equipment      | 50   | 21  | 333   | 404                                    |
| Amortization of intangible assets                  | 23   | 10  | 151   | 184                                    |
| Loss on disposal of property, plant and equipment  | 1  | –   | 3   | 4                                      |
| Recovery of trade receivables previously impaired  | (11)   | (4)   | (70)  | (85)                                   |
| Share-based payment expenses (excluding Directors) | <u>89</u>  | <u>37</u>   | <u>591</u>  | <u>717</u>                             |

## 2. REVENUE AND SEGMENT INFORMATION (Cont'd)

### 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 |                | Six months ended |                |
|-----------------|--------------------|----------------|------------------|----------------|
|                 | 30 June            |                | 30 June          |                |
|                 | 2017               | 2016           | 2017             | 2016           |
|                 | <i>RMB'000</i>     | <i>RMB'000</i> | <i>RMB'000</i>   | <i>RMB'000</i> |
|                 | (Unaudited)        | (Unaudited)    | (Unaudited)      | (Unaudited)    |
| Interest income | 2                  | 1              | 9                | 9              |
| Others          | -                  | 97             | 500              | 1,025          |
|                 | <u>2</u>           | <u>98</u>      | <u>509</u>       | <u>1,034</u>   |

## 4. INCOME TAX EXPENSE

|                                   | Three months ended |                | Six months ended |                |
|-----------------------------------|--------------------|----------------|------------------|----------------|
|                                   | 30 June            |                | 30 June          |                |
|                                   | 2017               | 2016           | 2017             | 2016           |
|                                   | <i>RMB'000</i>     | <i>RMB'000</i> | <i>RMB'000</i>   | <i>RMB'000</i> |
|                                   | (Unaudited)        | (Unaudited)    | (Unaudited)      | (Unaudited)    |
| PRC enterprise income tax ("EIT") |                    |                |                  |                |
| - Current year                    | -                  | -              | -                | -              |
| - Underprovision in prior year    | 345                | 255            | 345              | 255            |
|                                   | <u>345</u>         | <u>255</u>     | <u>345</u>       | <u>255</u>     |

#### 4. INCOME TAX EXPENSE (Cont'd)

Hangzhou Singlee Technology Company Limited (“Singlee Technology”), a subsidiary of the Company, was established in Hangzhou, PRC, with applicable tax rate of 25%. Singlee Technology is a High and New Technology Enterprise defined by Zhejiang Finance Bureau, Administrator of Local Taxation of Zhejiang municipality and Zhejiang Municipal office of the State Administration of Taxation and therefore is entitled to 15% preferential tax rate for PRC EIT starting from 2010. Accordingly, the tax rate for Singlee Technology is 15% for the six months ended 30 June 2017 and 2016.

According to the PRC EIT law, the applicable tax rate of Hangzhou Singlee Software 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 2017 and 2016.

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 2017 and 2016.

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

#### 5. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (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          |                |
| 2017               | 2016           | 2017             | 2016           |
| <i>RMB'000</i>     | <i>RMB'000</i> | <i>RMB'000</i>   | <i>RMB'000</i> |
| (Unaudited)        | (Unaudited)    | (Unaudited)      | (Unaudited)    |

Profit (loss) for the period attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share

|                |            |                 |                |
|----------------|------------|-----------------|----------------|
| <u>(2,262)</u> | <u>734</u> | <u>(14,563)</u> | <u>(7,196)</u> |
|----------------|------------|-----------------|----------------|

**5. EARNINGS (LOSS) PER SHARE** (Cont'd)

|   | Three months ended    |                | Six months ended      |                |
|---|-----------------------|----------------|-----------------------|----------------|
|   | 30 June               |                | 30 June               |                |
|   | 2017                  | 2016           | 2017                  | 2016           |
|   | '000                  | '000           | '000                  | '000           |
|   | (Unaudited)           | (Unaudited)    | (Unaudited)           | (Unaudited)    |
| Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share   | <b>864,430</b>        | 864,430        | <b>864,430</b>        | 864,430        |
| Effect of dilutive potential ordinary shares – Share options                                    | –                     | 8,240          | –                     | –              |
| Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share | <b><u>864,430</u></b> | <u>872,670</u> | <b><u>864,430</u></b> | <u>864,430</u> |

**6. DIVIDEND**

The Board does not recommend the payment of dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

**7. TRADE AND OTHER RECEIVABLES**

|                                    | As at                | As at         |
|------------------------------------|----------------------|---------------|
|                                    | 30 June              | 31 December   |
|                                    | 2017                 | 2016          |
|                                    | RMB'000              | RMB'000       |
|                                    | (Unaudited)          | (Audited)     |
| Trade receivables                  | <b>37,351</b>        | 37,301        |
| Less: allowance for doubtful debts | <b>(902)</b>         | (1,658)       |
|                                    | <b>36,449</b>        | 35,643        |
| Other receivables                  | <b>6,790</b>         | 5,740         |
|                                    | <b><u>43,239</u></b> | <u>41,383</u> |

## 7. TRADE AND OTHER RECEIVABLES (Cont'd)

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

|                                   | <b>As at<br/>30 June<br/>2017<br/>RMB'000<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>RMB'000<br>(Audited) |
|-----------------------------------|---|--|
| 0 – 120 days                      | <b>15,535</b>   | 29,014   |
| 121 – 180 days                    | <b>78</b>   | 242  |
| 181 – 365 days                    | <b>17,604</b>   | 1,079  |
| Over 1 year but less than 2 years | <b>3,232</b>  | 5,308  |
|                                   | <b><u>36,449</u></b>  | <b><u>35,643</u></b>                                 |

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

|                                  | <b>As at<br/>30 June<br/>2017<br/>RMB'000<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>RMB'000<br>(Audited) |
|----------------------------------|---|--|
| Trade payables                   | <b>3,165</b>  | 4,291  |
| Deposits received from customers | <b>53</b>   | 87   |
| Payroll payables                 | <b>2,255</b>  | 1,471  |
| Other payables and accrual       | <b>6,329</b>  | 7,131  |
|                                  | <b><u>11,802</u></b>  | <b><u>12,980</u></b>                                 |

## 8. TRADE AND OTHER PAYABLES (Cont'd)

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

|                | <b>As at<br/>30 June<br/>2017<br/>RMB'000<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>RMB'000<br>(Audited) |
|----------------|---|--|
| Within 90 days | 2,012   | 2,202  |
| 91 – 180 days  | 227   | 757  |
| 181 – 365 days | 167   | 542  |
| Over 365 days  | 759   | 790  |
|                | <u>3,165</u>  | <u>4,291</u>   |

## 9. BORROWINGS

|   | <b>As at<br/>30 June<br/>2017<br/>RMB'000<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>RMB'000<br>(Audited) |
|---|---|--|
| Unsecured loans from a director ( <i>Note i</i> ) | 54,513  | 50,090   |
| Unsecured bank borrowings ( <i>Note ii</i> )      | 4,000   | 5,992  |
|   | <u>58,513</u>   | <u>56,082</u>  |

## 9. BORROWINGS (Cont'd)

Carrying amount of the above borrowings is repayable:

|  | <b>As at<br/>30 June<br/>2017<br/>RMB'000<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>RMB'000<br>(Audited) |
|--|---|--|
| Within one year  | <b>6,189</b>  | 4,444  |
| Within a period of more than one year<br>but not exceeding two years   | <b>1,564</b>  | 4,026  |
| Within a period of more than two years<br>but not exceeding five years | <b>21,707</b>   | 17,476   |
| Within a period of more than five years                                | <b>29,053</b>   | 30,136   |
|  | <b>58,513</b>   | 56,082   |
| Less: Amounts due within one year<br>shown under current liabilities   | <b>(6,189)</b>  | (4,444)  |
| Amounts shown under non-current liabilities                            | <b>52,324</b>   | 51,638   |

Notes:

- (i) The exposure of the Group's loans from a director and the contractual maturity dates are as follows:

|                           | <b>As at<br/>30 June<br/>2017<br/>RMB'000<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>RMB'000<br>(Audited) |
|---------------------------|---|--|
| Within one year           | <b>2,189</b>  | -  |
| Between one to two years  | <b>1,564</b>  | 3,582  |
| Between two to five years | <b>21,707</b>   | 16,372   |
| More than five years      | <b>29,053</b>   | 30,136   |
|                           | <b>54,513</b>   | 50,090   |



## 9. BORROWINGS (Cont'd)

Notes: (Cont'd)

(i) (Cont'd)

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's loans from a directors are as follows:

|                          | <b>As at<br/>30 June<br/>2017<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>(Audited) |
|--------------------------|---|---|
| Effective interest rate: |   |   |
| Fixed-rate borrowings    | <b><u>3.25% - 4.5%</u></b>                        | <b><u>3.25% - 3.5%</u></b>                |

(ii) The exposure of the Group's bank borrowings and the contractual maturity dates (or reset dates) are as follows:

|                                | <b>As at<br/>30 June<br/>2017<br/>RMB'000<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>RMB'000<br>(Audited) |
|--------------------------------|---|--|
| Fixed-rate bank borrowings:    |   |  |
| Within one year                | <b><u>4,000</u></b>   | <b><u>4,000</u></b>                                  |
| Variable-rate bank borrowings: |   |  |
| Within one year                | -   | 444  |
| Between one to two years       | -   | 444  |
| Between two to five years      | <u>-</u>  | <u>1,104</u>   |
|                                | <b><u>-</u></b>   | <b><u>1,992</u></b>                                  |

## 9. BORROWINGS (Cont'd)

Notes: (Cont'd)

(ii) (Cont'd)

The effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

|                          | <b>As at<br/>30 June<br/>2017<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>(Audited) |
|--------------------------|---|---|
| Effective interest rate: |   |   |
| Fixed-rate borrowings    | <b>4.82%</b>                                      | 4.82%                                     |
| Variable-rate borrowings | <b><u>          -</u></b>                         | <b><u>          5.63%</u></b>             |

As at 30 June 2017, the loans from a director of approximately RMB42,322,000 (31 December 2016: RMB43,900,000) are denominated in Hong Kong dollars, other borrowings are denominated in the functional currency of the respective group entity.

## 10. RELATED PARTY TRANSACTIONS

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

|  | <b>As at<br/>30 June<br/>2017<br/>RMB'000<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>RMB'000<br>(Audited) |
|--|---|--|
| Rentals paid to Sing Lee Pharmaceutical Import & Export Co. Limited for lease of office premises | <b><u>          297</u></b>                                   | <b><u>          540</u></b>                          |

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

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

## 11. EVENTS AFTER THE END OF THE REPORTING PERIOD

- (i) Hangzhou Singlee Technology Company Limited (a wholly-owned subsidiary of the Company) (the “Borrower”) entered into a Maximum Mortgage Contract (the “Contract”) with Hangzhou United Rural Commercial Bank Co. Ltd. (an independent third party) (the “Lender”). Pursuant to the Contract, the maximum amount of claim is RMB6,240,000 and revolving loan facility (“Loan Facility”) of up to RMB5,500,000 principal to be made available to the Borrower by the Lender upon the terms and conditions of the Contract. The Loan Facility can be drawn down at any time before the maturity date of the Loan Facility. The maturity date of the Loan Facility is 25 June 2020. On 7 July 2017, the Borrower entered into a loan agreement with the Lender for the advance of the Loan Facility of RMB5,500,000 at the agreed interest rate at 0.402% per month and repayable within 1 year on 6 July 2018. If the Borrower failure to repay the loan principal, additional of 50% penalty interest rate based on the agreed interest rate is calculated starting from the expiration date. On 7 July 2017, an amount of RMB5,500,000 under the Loan Facility had been drawn down.

Details of the above are set out in the Company’s announcement dated 7 July 2017.

- (ii) On 14 July 2017, the Purchaser, Hangzhou Singlee Technology Company Limited (a wholly-owned subsidiary of the Company), entered into a sales and purchases agreement with the Vendor, Hangzhou Sande Investment Co., Ltd (an independent third party), pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the property, 17th Floor, Building 9, West City Best Space, No.158, Zixuan Road, Sandun, Xihu District, Hangzhou, the PRC, at a cash consideration of RMB6,000,000.

As one or more of the applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) in respect of the Acquisition is/ are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempt from the Shareholders’ approval requirement under Chapter 19 of the GEM Listing Rules.

Details of the above are set out in the Company’s announcement dated 14 July 2017.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial review and results of operations**

For the six months ended 30 June 2017, the Group recorded a total revenue of approximately RMB17,995,000, a decrease of 6% as compared to the same period of last year (For the six months ended 30 June 2016: approximately RMB19,190,000). The decrease in the turnover of the Group was mainly attributable to the decrease in the revenue of the Group's provision of technical support services. Cost of sales for the six months ended 30 June 2017 increased by 12% to approximately RMB12,699,000 (For the six months ended 30 June 2016: approximately RMB11,327,000). The increase in the cost of sales was mainly due to the increased in staff costs to cope with the needs for business expansion. The Group's gross profit ratio is 29% (For the six months ended 30 June 2016: 41%).

Administrative expenses for the six months ended 30 June 2017 increased by 39% to approximately RMB10,947,000 (For the six months ended 30 June 2016: approximately RMB7,863,000). The increase in administrative expenses was mainly due to the significant increase in equity-settled share-based payment recognised which arising from the grant of share option in April 2017. For the distribution and selling expenses, it is increased by 78% to RMB5,970,000 (For the six months ended 30 June 2016: approximately RMB3,357,000). The increase in distribution and selling expenses was mainly due to increased in open card service fee and staff costs. Besides, research and development costs increased by 34% to approximately RMB5,001,000 (For the six months ended 30 June 2016: approximately RMB3,722,000). The increase in research and development costs was mainly due to the Group allocated more resources on researching the new technology aiming at increasing our market share. Other income included refund of value added tax and interest income; and other gains and losses included exchange differences and fair value changes in investment fund.

Finance costs for the six months ended 30 June 2017 increased by 95% to approximately RMB943,000 (For the six months ended 30 June 2016: approximately RMB483,000). The increase in finance costs was due to increase in borrowings and certain loans have been revised at higher interest rate in December 2016.

The Group recorded a loss of approximately RMB14,563,000 for the six months ended 30 June 2017, an increase of 102% as compared to the same period of last year (For the six months ended 30 June 2016: net loss approximately RMB7,196,000). Increase in loss was primarily attributable to the combined effects of (i) decrease in total revenue; (ii) increase in headcount which was in line with the expansion of the Group's business; and (iii) increase in equity-settled share-based payment expenses.

During the six months ended 30 June 2017, the Company recorded equity-settled share-based payment of approximately RMB3,975,000 (For the six months ended 30 June 2016: RMB797,000). The equity-settled share-based payment for the six months ended 30 June 2017 was allocated between the cost of sales, distribution and selling expenses and administrative expenses amounting to RMB377,000, RMB418,000 and RMB3,180,000 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**

### **Overall Business of the Group for the Second Quarter of 2017**

Driven by the strong earnings and high expectations in 2016, the Group experienced more rapid development in all aspects, and significantly strengthened the banking capital products and confidence of our clients. The Group's core business remained focused on three key products, including the banking capital products, "Bank-Business Express" and "Bank-Hospital Express", and banking outsourcing service products. Due to the much more rapid development than in previous year, the costs also increased accordingly.

As the banks and third parties actively promoted the increasingly diversified payment methods, the payment products (“Bank-Business Express”) have become mass products and represent immense potential given the large population in China. With our in-depth industry knowledge, business transformation and innovative mindset, market expansion remains the Group’s primary goal and priority despite the lower profits. In light of the structural reform in the broader economy and continuous market adjustment, the Group continued to expand the merchant service business and offline markets by deepening the cooperation with various banks in initiating projects targeting merchants and cardholders. Formerly independent businesses were gradually consolidated, and banking outsourcing service products and payment products were integrated to form a business portfolio.

In addition, the State Council and the People’s Bank continued to strengthen the development and supervision of banking capital products, resulting in a higher recognition of this niche market by the broader financial market over the last two years. The trend will gradually change the banking sector’s profit making model based on the difference between savings and loan, and will become more obvious in the coming years. Therefore, the Group devoted more efforts to the capital products and expanded our market share so as to develop a flexible business portfolio earlier.

The “new normal” to be brought by the structural reform of China’s financial market will present more opportunities and open up the market. In this case, the Group may fine-tune the output ratios and long-term development of the three key products based on the strategy of “enhancing capital products and expanding banking outsourcing service product mix to introduce new integrated payment concept to users through a dynamic business portfolio” to keep abreast of the market developments.

## **OUTLOOK**

The banking outsourcing service products, the business platform evolved from the Group’s core operations and “Bank-School Express” remain our main sources of big data. With the help of these products, the Group will consolidate the big data and the online and offline businesses to form a unique OFFLINE TO ONLINE (O2O) model. We also plan to extend the collaborative model with banks to other commercial banks. Meanwhile, the business portfolio will be better aligned to the overall development of the financial environment.

While the overall expenses of the Group are expected to drop, the Group will continue to implement stringent cost control, and strengthen the risk control over the overall operations and individual businesses in order to achieve a virtuous circle of identifying new revenue streams and lowering the costs.

## **LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO**

The operating expenditures of the Group are funded by cash flow from operations and borrowings. The Group has adequate sources of funds to meet its future working capital requirements.

As at 30 June 2017, the Group held cash and cash equivalents denominated in RMB, US dollars and HK dollars, amounted to approximately RMB9,821,000 (31 December 2016: approximately RMB23,186,000). The Group's current ratio, based on total current assets over total current liabilities, as at 30 June 2017 was approximately 3 times (31 December 2016: approximately 3 times).

At 30 June 2017, the Group had the following outstanding borrowings:

|                                 | <b>As at<br/>30 June<br/>2017<br/>RMB'000</b> | As at<br>31 December<br>2016<br>RMB'000 |
|---------------------------------|---|---|
| Fixed-rate borrowings:          |   |   |
| Unsecured loans from a director | <b>54,513</b>                                 | 50,090                                  |
| Unsecured bank borrowings       | <b>4,000</b>                                  | 4,000                                   |
|                                 | <b>58,513</b>                                 | 54,090                                  |
| Variable-rate borrowings:       |   |   |
| Unsecured bank borrowings       | -   | 1,992                                   |
|                                 | <b>58,513</b>                                 | 56,082                                  |

The borrowings' contractual maturity dates are as follows:

|                           | <b>As at<br/>30 June<br/>2017<br/>RMB'000</b> | As at<br>31 December<br>2016<br>RMB'000 |
|---------------------------|---|---|
| Within one year           | <b>6,189</b>                                  | 4,444                                   |
| Between one to two years  | <b>1,564</b>                                  | 4,026                                   |
| Between two to five years | <b>21,707</b>                                 | 17,476                                  |
| More than five years      | <b>29,053</b>                                 | 30,136                                  |
|                           | <b><u>58,513</u></b>                          | <b><u>56,082</u></b>                    |

The loans from a director of approximately RMB42,322,000 (31 December 2016: RMB43,900,000) are denominated in HK dollars, other borrowings are denominated in the functional currency of the respective group entity.

No interest was capitalized by the Group during the period under review (31 December 2016: Nil).

The gearing ratio of the Group, based on total liabilities over total assets, as at 30 June 2017 was approximately 111% (31 December 2016: 96%).

## **ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

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

## **EMPLOYEE INFORMATION**

As at 30 June 2017, the Group had 441 employees (six months ended 30 June 2016: 303), 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 RMB14,538,000 (six months ended 30 June 2016: approximately RMB8,358,000).

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 2017, a property of the Group located in Hangzhou with net carrying amount of approximately RMB5,419,000 was used to secure the banking facilities (31 December 2016: Nil).

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDING**

Details of the Group's future plans for material investments or capital assets and their expected source of funding have been stated in the Company's prospectus dated 30 August 2001 under the sections headed "Statement of Business Objectives" and "Reasons for the New Issue and Use of Proceeds" respectively.

## **EXPOSURE TO EXCHANGE RATE FLUCTUATION**

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

## **CONTINGENT LIABILITIES**

As at 30 June 2017, the Group did not have any material contingent liabilities (31 December 2016: Nil).

## **PROSPECTS OF NEW PRODUCTS**

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

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

So far as is known to any directors or chief executives of the Company, as at 30 June 2017, shareholders (other than directors or chief executive of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meeting of any other members of the Group or substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follow:

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

| <b>Name of shareholder</b>     | <b>Capacity/<br/>Nature of interest</b> | <b>Number of shares held</b>          |                       | <b>Percentage of shareholding</b> |
|--------------------------------|---|---------------------------------------|-----------------------|-----------------------------------|
|                                |   | <b>Long position</b>                  | <b>Short position</b> |                                   |
| Goldcorp Industrial Limited    | Beneficial owner                        | 287,855,000<br><i>(note 1)</i>        | -                     | 33.30%                            |
| Great Song Enterprises Limited | Beneficial owner                        | 287,855,000<br><i>(note 1)</i>        | -                     | 33.30%                            |
| Mr. Hung Yung Lai              | Corporate interest                      | 287,855,000<br><i>(notes 2 and 4)</i> | -                     | 33.30%                            |
|                                | Beneficial owner                        | 16,025,000                            | -                     | 1.85%                             |
| Ms. Li Kei Ling                | Corporate interest                      | 287,855,000<br><i>(notes 2 and 3)</i> | -                     | 33.30%                            |
| Mdm. Iu Pun                    | Family interest                         | 368,880,000<br><i>(note 5)</i>        | -                     | 42.67%                            |

## b) Share options

| <b>Name of shareholder</b> | <b>Capacity/<br/>Nature of interest</b> | <b>Number of<br/>options held</b> | <b>Number of<br/>underlying<br/>shares</b> |
|----------------------------|---|-----------------------------------|--|
| Mr. Hung Yung Lai          | Beneficial owner                        | 65,000,000                        | 65,000,000                                 |

### Notes:

1. Goldcorp Industrial Limited is a limited liability company incorporated in the British Virgin Islands equally owned by Mr. Hung Yung Lai and Great Song Enterprises Limited which in turn is wholly owned by Ms. Li Kei Ling.
2. The Shares were held by Goldcorp Industrial Limited.
3. Ms. Li Kei Ling controls more than one third of the voting power of Great Song Enterprises Limited which in turn holds more than one third of the voting power of Goldcorp Industrial Limited. Ms Li Kei Ling is deemed, by virtue of the SFO, to be interested in the same 287,855,000 shares held by Goldcorp Industrial Limited.
4. Mr. Hung Yung Lai controls more than one third of the voting power of Goldcorp Industrial Limited. Mr. Hung Yung Lai is deemed, by virtue of the SFO, to be interested in the same 287,855,000 shares held by Goldcorp Industrial Limited.
5. These shares are beneficially owned by Goldcorp Industrial Limited as mentioned in Note 4 of above. Mr. Hung Yung Lai is deemed to be interested in the same 287,855,000 shares held by Goldcorp Industrial Limited. Mdm Iu Pun is the wife of Mr. Hung Yung Lai and is deemed to be interested in these shares in which Mr. Hung Yung Lai is deemed or taken to be interested for the purpose of the SFO. She is also deemed to be interested in the 65,000,000 share options and the 16,025,000 shares beneficially owned by Mr. Hung Yung Lai as mentioned in Note 4 above for the purpose of SFO.

Save as disclosed above, as at 30 June 2017, the Company were not aware of any other person (other than directors or chief executives of the Company) who had an interest or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or any other substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, the interests or short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or which were required to be entered into the register required to be kept by the Company, pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### Shares in the Company:

| Name of Directors               | Capacity/<br>Nature of interest | Number of shares held          |                | Percentage of shareholding |
|---------------------------------|---------------------------------|--------------------------------|----------------|----------------------------|
|                                 |                                 | Long position                  | Short position |                            |
| Mr. Hung Yung Lai               | Corporate interest              | 287,855,000<br><i>(note 1)</i> | -              | 33.30%                     |
|                                 | Beneficial owner                | 16,025,000                     | -              | 1.85%                      |
| Mr. Hung Ying                   | Beneficial owner                | 8,040,000                      | -              | 0.93%                      |
| Mr. Lin Xue Xin <i>(note 3)</i> | Beneficial owner                | 5,500,000                      | -              | 0.64%                      |

### Shares in associated corporation:

| Name of director  | Capacity/<br>Nature of interest | Number of ordinary shares held in Goldcorp Industrial Limited <i>(note 2)</i> |                | Percentage of shareholding |
|-------------------|---------------------------------|---|----------------|----------------------------|
|                   |                                 | Long position   | Short position |                            |
| Mr. Hung Yung Lai | Beneficial owner                | 1   | -              | 50%                        |

*Notes:*

1. The Shares were held by Goldcorp Industrial Limited. Mr. Hung Yung Lai has 50% interest in Goldcorp Industrial Limited.
2. The entire issued capital of Goldcorp Industrial Limited as of 30 June 2017 composed of 2 ordinary shares.
3. Mr. Lin Xue Xin was appointed as an Executive Director and Chief Executive Officer with effect from 1 June 2017.

Save as disclosed above, as at 30 June 2017, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## **SHARE OPTION SCHEME**

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

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

Pursuant to the ordinary resolution passed by the shareholders at the annual general meeting of the Company held on 11 May 2016 (the “AGM”), the scheme mandate limit under the share option scheme of the Company was refreshed again so that the Company was authorized to grant additional share options for subscription for a total of 86,443,000 shares under the refreshed mandate limit, representing approximately 10% of the issued share capital of the Company as at the date of the AGM.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Schemes adopted by the Company must not in aggregate exceed 30% of the shares in issue from time to time.

The total number of shares issued and to be issued upon the exercise of options granted and to be granted to each Participant (including both exercised and outstanding options) in any 12 months period up to the date of grant must not exceed 1% of the shares in issue at the date of grant.

The subscription shall be a price determined by the Board at its absolute discretion and shall not be less than the higher of the closing price of the share on the date of grant of the option and the average closing price of the shares for the five business days immediately preceding the date of grant of the option.

Options granted shall be deemed to be accepted upon receipt of the acceptance of offer letter from the grantee within 28 days from the offer date, together with a remittance in favour of the Company of HK\$1 by way of consideration for the grant.

An option may be exercised in accordance with the terms of the Scheme at any time during a period notified by the Board to each grantee but may not be exercised after the expiry of 10 years from the date of grant.

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

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

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

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

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

On 24 June 2013, the Company granted 59,780,000 share options to subscribe for shares in the Company under the Share Option Scheme at an exercise price of HK\$0.1122 per share to a Director and its employees of the Group. Shares of the Company were at closing price of HK\$0.101 immediately before the day on which options were granted.

On 15 May 2015, the Company granted 21,400,000 share options to subscribe for shares in the Company under the Share Option Scheme at an exercise price of HK\$0.43 per share to a Director and its employees of the Group. Shares of the Company were at closing price of HK\$0.43 immediately before the day on which options were granted.

On 7 April 2017, the Company granted 86,440,000 share options to subscribe for shares in the Company under the Share Option Scheme at an exercise price of HK\$0.182 per share to its directors and employees of the Group. Shares of the Company were at closing price of HK\$0.182 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 2017 | 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 June 2017 |
|---|--|--|---|---|---|--|--|
| Lin Xue Xin<br>(appointed on 1 June 2017)               | 9 April 2008 to<br>8 October 2017      | 1,500,000  | -   | -   | -   | -  | 1,500,000  |
| Continuous contract employees<br>(other than directors) | 9 April 2008 to<br>8 October 2017      | 14,410,000   | -   | -   | -   | -  | 14,410,000   |
| Pao Ping Wing   | 19 July 2010 to<br>18 January 2020     | 600,000  | -   | -   | -   | -  | 600,000  |
| Thomas Tam  | 19 July 2010 to<br>18 January 2020     | 600,000  | -   | -   | -   | -  | 600,000  |
| Lo King Man   | 19 July 2010 to<br>18 January 2020     | 600,000  | -   | -   | -   | -  | 600,000  |
| Hung Ying   | 19 July 2010 to<br>18 January 2020     | 2,500,000  | -   | -   | -   | -  | 2,500,000  |
| Lin Xue Xin<br>(appointed on 1 June 2017)               | 19 July 2010 to<br>18 January 2020     | 650,000  | -   | -   | -   | -  | 650,000  |
| Continuous contract employees<br>(other than directors) | 19 July 2010 to<br>18 January 2020     | 2,730,000  | -   | -   | -   | -  | 2,730,000  |
| Hung Ying   | 16 February 2011 to<br>15 August 2020  | 1,550,000  | -   | -   | -   | -  | 1,550,000  |
| Lin Xue Xin<br>(appointed on 1 June 2017)               | 16 February 2011 to<br>15 August 2020  | 310,000  | -   | -   | -   | -  | 310,000  |
| Continuous contract employees<br>(other than directors) | 16 February 2011 to<br>15 August 2020  | 500,000  | -   | -   | -   | -  | 500,000  |
| Hung Yung Lai   | 28 February 2011 to<br>9 January 2021  | 65,000,000   | -   | -   | -   | -  | 65,000,000   |
| Lin Xue Xin<br>(appointed on 1 June 2017)               | 28 February 2011 to<br>12 January 2021 | 690,000  | -   | -   | -   | -  | 690,000  |
| Continuous contract employees<br>(other than directors) | 28 February 2011 to<br>12 January 2021 | 11,600,000   | -   | -   | -   | -  | 11,600,000   |
| Hung Ying   | 24 June 2013 to<br>23 June 2023        | 40,000   | -   | -   | -   | -  | 40,000   |
| Continuous contract employees<br>(other than directors) | 24 June 2013 to<br>23 June 2023        | 7,200,000  | -   | -   | -   | -  | 7,200,000  |
| Hung Ying   | 15 May 2015 to<br>14 May 2025          | 1,900,000  | -   | -   | -   | -  | 1,900,000  |
| Lin Xue Xin<br>(appointed on 1 June 2017)               | 15 May 2015 to<br>14 May 2025          | 3,000,000  | -   | -   | -   | -  | 3,000,000  |
| Continuous contract employees<br>(other than directors) | 15 May 2015 to<br>14 May 2025          | 14,850,000   | -   | -   | -   | -  | 14,850,000   |

| 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 2017 | 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 2017 |
| Hung Ying  | 7 April 2017 to 6 April 2027 | -  | 2,650,000                               | -   | -   | -                                      | 2,650,000                                    |
| Lin Xue Xin (appointed on 1 June 2017)               | 7 April 2017 to 6 April 2027 | -  | 2,440,000                               | -   | -   | -                                      | 2,440,000                                    |
| Pao Ping Wing  | 7 April 2017 to 6 April 2027 | -  | 260,000                                 | -   | -   | -                                      | 260,000                                      |
| Thomas Tam   | 7 April 2017 to 6 April 2027 | -  | 260,000                                 | -   | -   | -                                      | 260,000                                      |
| Lo King Man  | 7 April 2017 to 6 April 2027 | -  | 260,000                                 | -   | -   | -                                      | 260,000                                      |
| Continuous contract employees (other than directors) | 7 April 2017 to 6 April 2027 | -  | 80,570,000                              | -   | -   | -                                      | 80,570,000                                   |
|  |                              | <u>130,230,000</u>                             | <u>86,440,000</u>                       | <u>-</u>                                  | <u>-</u>                                  | <u>-</u>                               | <u>216,670,000</u>                           |

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## **COMPETITION AND CONFLICT OF INTERESTS**

None of the Directors, management shareholders or substantial shareholders of the Company or any of their respective associates, as defined in GEM Listing Rules, has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict or interests with the Group during the six months ended 30 June 2017.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2017, except for the following deviation:

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. The position of the chief executive officer of the Company was vacant following the resignation of Mr. Chan Kam Fai as chief executive officer on 23 October 2008 as the company needs times to identify a suitable candidate to assume the role of the chief executive officer. On 1 June 2017, Mr. Lin Xue Xin was appointed as an Executive Director and Chief Executive Officer of the Company, and the said code provision A.2.1 has been complied with since then.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the code of conduct regarding directors' securities transactions during the six months ended 30 June 2017 as set out in GEM Listing Rules 5.48 to 5.67. The Company has made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding the securities transactions by Directors.

Specific employees who are likely to be possession of unpublished price-sensitive information of the Group are also subject to compliance with the same Code of Conduct. No incident of non-compliance was noted by the Company for the six months ended 30 June 2017.

## **REMUNERATION COMMITTEE**

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

## **NOMINATION COMMITTEE**

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

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

The Company established an audit and risk management committee on 27 August 2001 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit and risk management committee are to review and supervise the financial reporting process, internal control procedures and risk management system of the Group. The chairman of the audit and risk management committee is Mr. Pao Ping Wing and other members include Mr. Thomas Tam and Mr. Lo King Man, all of them are independent non-executive directors.

The Group's unaudited results for the six months ended 30 June 2017 have been reviewed by the audit and risk management committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

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

The Board comprises of:

Hung Yung Lai (*Executive Director*)

Hung Ying (*Executive Director*)

Lin Xue Xin (*Executive Director*)

Cui Jian (*Executive Director*)

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

Thomas Tam (*Independent Non-Executive Director*)

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

Hong Kong, 11 August 2017