



SING LEE SOFTWARE (GROUP) LIMITED

新利軟件(集團)股份有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8076)

**THIRD QUARTERLY REPORT
FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2019**

* *For identification purposes only*

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a high investment risk may be attached than other companies listed on the Stock 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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, makes no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever 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 GEM 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 nine months ended 30 September 2019, together with the unaudited comparative figures for the corresponding periods in 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2019

		Three months ended 30 September		Nine months ended 30 September	
		2019	2018	2019	2018
Notes		RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue					
– Goods and services	2	27,547	23,590	71,587	56,697
Cost of sales and services		(15,190)	(22,004)	(47,936)	(49,941)
Gross profit		12,357	1,586	23,651	6,756
Other income	3	586	298	880	1,025
Impairment losses, net of reversal on trade receivables and contract assets		808	9	827	12
Other gains and losses		(1,472)	(1,869)	194	(2,944)
Distribution and selling expenses		(2,991)	(2,435)	(10,420)	(8,734)
Administrative expenses		(3,246)	666	(9,872)	(9,034)
Finance costs		(655)	(604)	(1,976)	(1,734)
Profit (loss) before tax		5,387	(2,349)	3,284	(14,653)
Income tax expense	4	(569)	–	(1,541)	–
Profit (loss) and total comprehensive income (expenses) for the period		4,818	(2,349)	1,743	(14,653)
Earnings (loss) per share					
– Basic (RMB cents)	5	0.41	(0.24)	0.15	(1.51)
– Diluted (RMB cents)	5	0.41	(0.24)	0.15	(1.51)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2019

	Share Capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Shareholder's contribution RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019 (Audited)	8,661	161,445	3,613	786	5,217	33,688	(163,026)	50,384
Profit and total comprehensive income for the period	-	-	-	-	-	-	1,743	1,743
Issuance of ordinary shares upon rights issue, net of transaction costs	3,877	17,687	-	-	-	-	-	21,564
At 30 September 2019 (Unaudited)	<u>12,538</u>	<u>179,132</u>	<u>3,613</u>	<u>786</u>	<u>5,217</u>	<u>33,688</u>	<u>(161,283)</u>	<u>73,691</u>
At 1 January 2018 (Audited)	8,551	158,608	3,613	786	5,217	33,804	(185,229)	25,350
Loss and total comprehensive expenses for the period	-	-	-	-	-	-	(14,653)	(14,653)
Exercised of share options	110	2,857	-	-	-	(957)	-	2,010
Recognition of equity-settled share-based payments	-	-	-	-	-	808	-	808
At 30 September 2018 (Unaudited)	<u>8,661</u>	<u>161,445</u>	<u>3,613</u>	<u>786</u>	<u>5,217</u>	<u>33,675</u>	<u>(199,882)</u>	<u>13,515</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 other reserves 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.

Notes:

1. GENERAL

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

The unaudited consolidated 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 accounting policies adopted are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018 (the “2018 Consolidated Financial Statements”), except for the amendments and interpretations of IFRSs (the “New IFRSs”) issued by IASB which have become effective in this period as detailed in the notes of the 2018 Consolidated Financial Statements. The adoption of the New IFRSs has no material impact on the accounting policies in the Group’s condensed consolidated financial statements for the period.

2. REVENUE

Revenue represents income from sale of software products and related hardware products, and provision of technical support services. Revenue comprises the following:

	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales of software products	2,506	1,689	5,279	4,638
Sales of related hardware products	320	1,610	944	2,850
Provision of technical support services	24,721	20,291	65,364	49,209
	<u>27,547</u>	<u>23,590</u>	<u>71,587</u>	<u>56,697</u>

3. OTHER INCOME

	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income	117	3	371	29
Others	469	295	509	996
	<u>586</u>	<u>298</u>	<u>880</u>	<u>1,025</u>

4. INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	<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	-	-	-	-
Deferred taxation				
- Current year	569	-	1,541	-
	<u>569</u>	<u>-</u>	<u>1,541</u>	<u>-</u>

Hangzhou Singlee Technology Company Limited ("Singlee Technology"), a subsidiary of the Company, was established in Hangzhou, PRC, with applicable tax rate of 25%. 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 nine months ended 30 September 2019 and 2018.

According to the PRC EIT law, the applicable tax rate of Hangzhou Singlee Software Company Limited and Xin Yintong Technology Co., Ltd is 25% for the nine months ended 30 September 2019 and 2018.

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits arising from Hong Kong during the nine months ended 30 September 2019 and 2018.

PRC enterprise income tax has not been provided as the Group had no estimated assessable profits arising from PRC for the nine months ended 30 September 2019 (nine months ended 30 September 2018: Nil).

5. EARNINGS (LOSS) PER SHARE

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

	Three months ended 30 September 2019		Nine months ended 30 September 2019	
	RMB'000	2018 RMB'000	RMB'000	2018 RMB'000
	(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>4,818</u>	<u>(2,349)</u>	<u>1,743</u>	<u>(14,653)</u>
	Three months ended 30 September 2019		Nine months ended 30 September 2019	
	'000	2018 '000	'000	2018 '000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(restated)		(restated)
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	1,167,497	972,048	1,167,497	972,048
Effect of dilutive potential ordinary shares – Share options	<u>651</u>	–	<u>651</u>	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<u>1,168,148</u>	<u>972,048</u>	<u>1,168,148</u>	<u>972,048</u>

6. DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 30 September 2019 (nine months ended 30 September 2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review and results of operations

For the nine months ended 30 September 2019, the Group recorded a total revenue of approximately RMB71,587,000, an increase of 26% as compared to the same period of last year (For the nine months ended 30 September 2018: approximately RMB56,697,000). The increase in the turnover of the Group was mainly attributable to the increase of 33% in the revenue of the Group's provision of technical support services when compared to the same period of last year, partly offset by decrease in the revenue of the Group's sales of related hardware products. Cost of sales for the nine months ended 30 September 2019 is decreased by 4% to approximately RMB47,936,000 (For the nine months ended 30 September 2018: approximately RMB49,941,000). The decrease in the cost of sales was mainly due to our effective cost control measures. The Group's gross profit ratio is 33% (For the nine months ended 30 September 2018: 12%).

Administrative expenses for the nine months ended 30 September 2019 is increased by 9% to approximately RMB9,872,000 (For the nine months ended 30 September 2018: approximately RMB9,034,000). The increase in administrative expenses was mainly due to the increase in staff costs. For the distribution and selling expenses, it is increased by 19% to RMB10,420,000 (For the nine months ended 30 September 2018: approximately RMB8,734,000). The increase in distribution and selling expenses was mainly due to the increase in staff costs. Other income mainly included refund of value added tax and interest income; and other gains and losses included exchange differences and fair value changes in financial assets at fair value through profit or loss.

Finance costs for the nine months ended 30 September 2019 was increased by 14% to approximately RMB1,976,000 (For the nine months ended 30 September 2018: approximately RMB1,734,000). The increase in finance costs was mainly attributable to the recognition of interest expenses of lease liabilities due to adoption of IFRS16.

The Group recorded a profit of approximately RMB1,743,000 for the nine months ended 30 September 2019 (For the nine months ended 30 September 2018: net loss of approximately RMB14,653,000). Change from loss to profit was mainly attributable to significantly increase in turnover.

No equity-settled share-based payment was recognised for the nine months ended 30 September 2019 (For the nine months ended 30 September 2018: approximately RMB808,000).

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 Third Quarter of 2019

The Group has been enhancing and expanding the overall strategy of one core business and two complementary products since 2018 with increasingly encouraging results. The benefits are mainly reflected in the revenue and gross profit growth. The revenue and gross profit increased by 26% and 250% respectively as compared to the same period of last year. The Group achieved a total profit of RMB1,743,000 during the first three quarters of 2019, compared to a loss for the last corresponding period in 2018. This was obviously attributable to the overall strategic development of one core business and two complementary products.

“Payment plus service” 1: With the large population and the different levels of development among provinces and cities in China, diversified payment methods emerged and matured at a faster pace due to the active promotion by banks and third-party companies. Meanwhile, online and offline payment modes emerged one after another, and became popular among the public. The unconscious payment method in which the Group and China Construction Bank cooperated in 2018 has been adopted in Home Inns Group. With the deepening of medical reform policy and the introduction of hospital-oriented smart system, the Payment Service Department launched the Smart Medical System in the third quarter of the year, and had signed contracts with some Grade III Level A hospitals. Due to the great development potential of the payment market and based on the knowledge of Sing Lee about the industry, continuously developing the market through transformation and innovation will be the future direction of the company.

“Payment plus service” 2: Driven by the normalization of structural reforms in the financial environment and the continuous adjustment of relevant markets, development of merchant service businesses and offline markets have become one of the main objectives of the Group. The Group increased the number of banks served from only three provincial branch banks three years ago to 13 banks in different provinces, including Zhejiang, Jiangsu, Liaoning, Jilin, Heilongjiang, and Xinjian Autonomous Region where special policies are in place. Therefore, the Group’s services will further reflect the operation project of deepening value-added services and strengthening of the cooperation with banks with a focus on merchants and cardholders, where divided businesses will be gradually combined to integrate banking outsourcing service products (merchant) and payment products, and business portfolio will become the focus of future development.

Capital Products: As the State Council and the People’s Bank of China continue to strengthen and differentiate the development and regulation of capital products of banks, it will promote the further development of the financial market which has been widely recognized in the last two years, and gradually replace the traditional profit model of banks. Such development trend will become even more visible in the next few years. Therefore, the Group will further integrate its capital products and agent products to increase its market share, which will allow the capital products to better utilize the resources of the Group and the market, and to achieve a rapid expansion of the market share, such that a sales model of “flexible business portfolio” can be formed.

FUTURE OUTLOOK

The payment plus outsourcing service, offline merchants evolved from traditional operations and customer service remain our main sources of big data. With the help of these products, the Group will explore the feasibility of collecting clients’ healthcare data with relevant banking divisions and will form a unique OFFLINE TO ONLINE (O2O) model by consolidating the industry’s and healthcare big data with our operations. 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 will continue to decrease, the Group will continue to implement stringent cost control, and strengthen the risk control over the overall operations and individual business in order to achieve a virtuous circle of identifying new revenue streams and lowering the costs. I would like to express my gratitude again to the front, middle and back offices for their hard work and dedication.

RIGHTS ISSUE IN MAY 2019

During the nine months ended 30 September 2019, the Company proposed a rights issue of 439,080,000 rights issue shares at HK\$0.06 per rights issue share on the basis of 1 rights issue share for every 2 shares held by shareholders. Details of the rights issue are set out in the circular of the Company dated 25 April 2019.

The rights issue was completed on 21 May 2019 and the net proceed of approximately HK\$24,420,000 (equivalent to approximately RMB21,564,000) was raised. Up to the date of this report, a total of approximately HK\$14,800,000 (equivalent to approximately RMB13,069,000) was paid for general working capital, which was applied consistently with the intended uses previously disclosed in the circular of the Company dated 25 April 2019. The remaining of approximately HK\$9,620,000 (equivalent to approximately RMB8,495,000) will be utilized as intended.

CAPITAL STRUCTURE

During the nine months ended 30 September 2019, 439,080,000 rights shares were allotted and issued.

Pursuant to the terms of the Share Option Schemes, the exercise prices of and/or the number of the shares falling to be issued upon exercise of the outstanding Share Options granted by the Company under the Share Option Schemes respectively as a result of the rights issue were adjusted in the following manner:

Date of grant	Immediately prior to the adjustments as a result of completion of the Rights Issue		Immediately after the adjustments as a result of completion of the Rights Issue	
	<i>Number of Shares falling to be issued upon exercise of the Outstanding Share Options</i>	<i>Exercise price per Share (HK\$)</i>	<i>Adjusted number of Shares falling to be issued upon exercise of the Outstanding Share Options</i>	<i>Adjusted exercise price per Share (HK\$)</i>
19 January 2010	7,680,000	0.2000	9,086,208	0.1690
16 August 2010	2,360,000	0.8400	2,792,116	0.7100
28 February 2011	65,000,000	0.7300	76,901,500	0.6170
28 February 2011	12,290,000	0.7140	14,540,299	0.6035
24 June 2013	6,240,000	0.1122	7,382,544	0.0948
15 May 2015	19,750,000	0.4300	23,366,225	0.3635
07 April 2017	72,210,000	0.1820	85,431,651	0.1538
Total	<u>185,530,000</u>		<u>219,500,543</u>	

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 September 2019, shareholders (other than directors or chief executive of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meeting of any other members of the Group or substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follow:

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

Name of shareholders	Capacity/ Nature of interest	Number of shares held		Percentage of shareholding
		Long position	Short position	
Goldcorp Industrial Limited	Beneficial owner	431,782,500 <i>(note 1)</i>	—	32.78%
Great Song Enterprises Limited	Beneficial owner	431,782,500 <i>(note 1)</i>	—	32.78%
Mr. Hung Yung Lai	Corporate interest	431,782,500 <i>(notes 2 and 4)</i>	—	32.78%
	Beneficial owner	59,847,500	—	4.54%
Ms. Li Kei Ling	Corporate interest	431,782,500 <i>(notes 2 and 3)</i>	—	32.78%
Mdm. Iu Pun	Family interest	568,531,500 <i>(note 5)</i>	—	43.16%

b) Share options

Name of shareholder	Capacity/ Nature of interest	Number of options held	Number of underlying shares
Mr. Hung Yung Lai	Beneficial owner	76,901,500	76,901,500

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 431,782,500 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 431,782,500 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 431,782,500 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 76,901,500 share options and the 59,847,500 shares beneficially owned by Mr. Hung Yung Lai for the purpose of SFO.

Save as disclosed above, as at 30 September 2019, 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 September 2019, 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:

Directors' interests in securities of the Company:

Name of Directors	Long/ Short Position	Capacity/Nature of interests	Interests in ordinary shares	Interest in underlying shares of share options	Aggregate interests	Percentage of aggregate interests to total issued share capital of the Company
Mr. Hung Yung Lai	Long Position	Corporate interest	431,782,500 <i>(note 1)</i>	-	431,782,500	32.78%
	Long Position	Beneficial owner	59,847,500	76,901,500	136,749,000	10.38%
Mr. Hung Ying	Long Position	Beneficial owner	14,547,500	8,654,377	23,201,877	1.76%
Mr. Lin Xue Xin	Long Position	Beneficial owner	9,470,000	6,944,797	16,414,797	1.25%
Mr. Pao Ping Wing	Long Position	Beneficial owner	-	1,017,466	1,017,466	0.08%
Mr. Thomas Tam	Long Position	Beneficial owner	-	1,017,466	1,017,466	0.08%
Mr. Lo King Man	Long Position	Beneficial owner	-	1,017,466	1,017,466	0.08%

Directors' interests in the associated corporation:

Name of Director	Long/ Short Position	Capacity/Nature of interests	Name of the associated corporation	Number of ordinary shares held	Percentage of total number of shares of the associated corporations (note 2)
Mr. Hung Yung Lai	Long Position	Beneficial owner	Goldcorp Industrial Limited	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 September 2019 composed of 2 ordinary shares.

Save as disclosed above, as at 30 September 2019, 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 provision 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.

Pursuant to the ordinary resolution passed by the shareholders at the annual general meeting of the Company held on 11 May 2018 (the “AGM”), the scheme mandate limit under the share option scheme of the Company was refreshed again so that the Company was authorised to grant additional share options for subscription for a total of 61,032,000 shares under the refreshed mandate limit, representing approximately 6.95% of the issued share capital of the Company as at the date of the AGM.

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. Options granted on 9 October 2007 were expired during year 2017.

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, employees and consultants 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, continuous contract employees and consultants	Exercise period	Adjusted exercise price HK\$ (Note)	Number	Number	Number	Number	Number	Number	Number
			of share options outstanding as at 1 January 2019	of share options granted during the period	of share options adjusted during the period	of share options exercised during the period	of share options cancelled during the period	of share options lapsed during the period	of share options outstanding as at 30 September 2019
Pao Ping Wing	19 July 2010 to 18 January 2020	0.1690	600,000	-	109,860	-	-	-	709,860
Thomas Tam	19 July 2010 to 18 January 2020	0.1690	600,000	-	109,860	-	-	-	709,860
Lo King Man	19 July 2010 to 18 January 2020	0.1690	600,000	-	109,860	-	-	-	709,860
Hung Ying	19 July 2010 to 18 January 2020	0.1690	2,500,000	-	457,750	-	-	-	2,957,750
Lin Xue Xin	19 July 2010 to 18 January 2020	0.1690	650,000	-	119,015	-	-	-	769,015
Continuous contract employees (other than directors)	19 July 2010 to 18 January 2020	0.1690	2,730,000	-	499,863	-	-	-	3,229,863
Hung Ying	16 February 2011 to 15 August 2020	0.7100	1,550,000	-	283,805	-	-	-	1,833,805
Lin Xue Xin	16 February 2011 to 15 August 2020	0.7100	310,000	-	56,761	-	-	-	366,761
Continuous contract employees (other than directors)	16 February 2011 to 15 August 2020	0.7100	500,000	-	91,550	-	-	-	591,550
Hung Yung Lai	28 February 2011 to 9 January 2021	0.6170	65,000,000	-	11,901,500	-	-	-	76,901,500
Lin Xue Xin	28 February 2011 to 12 January 2021	0.6035	690,000	-	126,339	-	-	-	816,339
Continuous contract employees (other than directors)	28 February 2011 to 12 January 2021	0.6035	11,600,000	-	2,123,960	-	-	-	13,723,960

Name of directors, continuous contract employees and consultants	Exercise period	Adjusted exercise price HK\$ (Note)	Number of share options outstanding	Number of share options granted during the period	Number of share options adjusted 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 2019
			as at 1 January 2019						
Hung Ying	24 June 2013 to 23 June 2023	0.0948	40,000	-	7,324	-	-	-	47,324
Continuous contract employees (other than directors)	24 June 2013 to 23 June 2023	0.0948	6,200,000	-	1,135,220	-	-	-	7,335,220
Hung Ying	15 May 2015 to 14 May 2025	0.3635	1,900,000	-	347,890	-	-	-	2,247,890
Lin Xue Xin	15 May 2015 to 14 May 2025	0.3635	3,000,000	-	549,300	-	-	-	3,549,300
Continuous contract employees (other than directors)	15 May 2015 to 14 May 2025	0.3635	14,850,000	-	2,719,035	-	-	-	17,569,035
Hung Ying	7 April 2017 to 6 April 2027	0.1538	1,325,000	-	242,608	-	-	-	1,567,608
Lin Xue Xin	7 April 2017 to 6 April 2027	0.1538	1,220,000	-	223,382	-	-	-	1,443,382
Pao Ping Wing	7 April 2017 to 6 April 2027	0.1538	260,000	-	47,606	-	-	-	307,606
Thomas Tam	7 April 2017 to 6 April 2027	0.1538	260,000	-	47,606	-	-	-	307,606
Lo King Man	7 April 2017 to 6 April 2027	0.1538	260,000	-	47,606	-	-	-	307,606
Continuous contract employees (other than directors)	7 April 2017 to 6 April 2027	0.1538	32,840,000	-	6,013,004	-	-	-	38,853,004
Consultants	7 April 2017 to 6 April 2027	0.1538	36,045,000	-	6,599,839	-	-	-	42,644,839
			<u>185,530,000</u>	<u>-</u>	<u>33,970,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>219,500,543</u>

Note:

The exercise price for the options granted and number of shares in respect of options granted were adjusted to reflect the impact of the rights issue during the nine months ended 30 September 2019.

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 nine months ended 30 September 2019.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Corporate Governance Code as contained in Appendix 15 to the GEM Listing Rules during the nine months ended 30 September 2019.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions during the nine months ended 30 September 2019 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 nine months ended 30 September 2019.

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 nine months ended 30 September 2019 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, 12 November 2019