



**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 2020**

\* *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.**

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*This report, for which the directors of Sing Lee Software (Group) Limited (the “Company”) (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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 2020, together with the unaudited comparative figures for the corresponding periods in 2019, as follows:

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

For the nine months ended 30 September 2020

		Three months ended 30 September		Nine months ended 30 September	
		2020	2019	2020	2019
Notes		RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue					
- Contracts with customers	2	19,584	27,547	49,770	71,587
Cost of sales and services		(15,333)	(15,190)	(49,484)	(47,936)
<b>Gross profit</b>		<b>4,251</b>	12,357	<b>286</b>	23,651
Other income	3	968	586	1,953	880
Impairment losses under expected credit loss model, net of reversal on trade receivables and contract assets		-	808	-	827
Other gains and losses		983	(1,472)	443	194
Distribution and selling expenses		(2,271)	(2,991)	(9,009)	(10,420)
Administrative expenses		(3,478)	(3,246)	(11,181)	(9,872)
Finance costs		(568)	(655)	(1,659)	(1,976)
<b>Profit (loss) before tax</b>		<b>(115)</b>	5,387	<b>(19,167)</b>	3,284
Income tax credit (expense)	4	(28)	(569)	1,806	(1,541)
<b>Profit (loss) and total comprehensive income (expenses) for the period</b>		<b>(143)</b>	4,818	<b>(17,361)</b>	1,743
<b>Earnings (loss) per share</b>					
- Basic (RMB cents)	5	(0.01)	0.42	(1.32)	0.15
- Diluted (RMB cents)	5	(0.01)	0.42	(1.32)	0.15

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2020

	Share Capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Shareholder's contribution RMB'000	Translation reserve RMB'000	Share-based payments reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020 (Audited)	12,538	179,132	3,613	786	5,217	33,394	(137,728)	96,952
Loss and total comprehensive expenses for the period	-	-	-	-	-	-	(17,361)	(17,361)
Lapse of share options	-	-	-	-	-	(2,403)	2,403	-
At 30 September 2020 (Unaudited)	<u>12,538</u>	<u>179,132</u>	<u>3,613</u>	<u>786</u>	<u>5,217</u>	<u>30,991</u>	<u>(152,686)</u>	<u>79,591</u>
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
Shares issued	3,877	19,387	-	-	-	-	-	23,264
Transaction costs attributable to shares issued	-	(1,700)	-	-	-	-	-	(1,700)
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>

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.

On 30 September 2017, Mr. Hung Yung Lai, being the Chairman, executive director and controlling shareholder of the Company, waived the balance due to him of approximately RMB786,000. The amount has been capitalised as shareholder’s contribution.

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 2019 (the “2019 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 2019 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 2020 <b>RMB’000</b> <b>(Unaudited)</b>	2019 RMB’000 (Unaudited)	30 September 2020 <b>RMB’000</b> <b>(Unaudited)</b>	2019 RMB’000 (Unaudited)
Sales of software products	412	2,506	4,024	5,279
Sales of related hardware products	15	320	720	944
Provision of technical support services	19,157	24,721	45,026	65,364
	<b>19,584</b>	27,547	<b>49,770</b>	71,587

### 3. OTHER INCOME

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income	114	117	510	371
Others	854	469	1,443	509
	<u>968</u>	<u>586</u>	<u>1,953</u>	<u>880</u>

### 4. INCOME TAX CREDIT (EXPENSE)

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<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	-	-	(72)	-
	<u>-</u>	<u>-</u>	<u>(72)</u>	<u>-</u>
Deferred taxation				
- Current year	(28)	(569)	1,878	(1,541)
	<u>(28)</u>	<u>(569)</u>	<u>1,806</u>	<u>(1,541)</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 2020 and 2019.

#### 4. INCOME TAX CREDIT (EXPENSE) (CONT'D)

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 2020 and 2019.

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 2020 and 2019.

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 2020 (nine months ended 30 September 2019: 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		Nine months ended	
30 September		30 September	
2020	2019	2020	2019
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)

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

<b>(143)</b>	<b>4,818</b>	<b>(17,361)</b>	<b>1,743</b>
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## 5. EARNINGS (LOSS) PER SHARE (CONT'D)

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	'000	'000	'000	'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<b>1,317,240</b>	1,149,143	<b>1,317,240</b>	1,149,143
Effect of dilutive potential ordinary shares – Share options	-	474	-	474
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<b><u>1,317,240</u></b>	<b><u>1,149,617</u></b>	<b><u>1,317,240</u></b>	<b><u>1,149,617</u></b>

The weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share for the nine months ended 30 September 2019 has been adjusted to reflect the effect of rights issue during the year ended 31 December 2019 but there is no impact on the respective calculation before the date of rights issue as there is no bonus element in such rights issue.

The computation of diluted earnings (loss) per share for the nine months ended 30 September 2020 and 2019 does not assume the exercise of certain options because the exercise prices of those options were higher than the average market prices.

## 6. DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 30 September 2020 (nine months ended 30 September 2019: Nil).



## MANAGEMENT DISCUSSION AND ANALYSIS

### Use of proceeds from rights issue

The Company completed a rights issue on 21 May 2019, pursuant to which the Company has issued 439,080,000 ordinary shares of the Company of HK\$0.01 each as rights shares at HK\$0.06 per rights share on the basis of two rights shares for every one existing share held on 24 April 2019. The net proceeds from the rights issue (after deducting the expenses) were approximately HK\$24,420,000 (equivalent to approximately RMB21,564,000) (the "Net Proceeds"). The Company intended to apply net proceeds for general working capital of the Group.

As at 30 September 2020, a total of approximately HK\$20,320,000 (equivalent to approximately RMB17,943,000) 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\$4,100,000 (equivalent to approximately RMB3,621,000) will be utilized as intended.

### Summary of use of Net Proceeds

	<b>Planned use of Net Proceeds (as stated in the Prospectus)</b>	<b>Actual amount utilised up to 30 September 2020</b>	<b>Unutilised balance as at 30 September 2020</b>	<b>Expected timeline for utilising the remaining Net Proceeds</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
General working capital	24.42	20.32	4.10	31 Dec 2020

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

For the nine months ended 30 September 2020, the Group recorded a total revenue of approximately RMB49,770,000, a decrease of 30% as compared to the same period of last year (For the nine months ended 30 September 2019: approximately RMB71,587,000). The decrease in the turnover of the Group was mainly attributable to the decrease of 31% in the revenue of the Group's provision of technical support services when compared to the same period of last year. Cost of sales for the nine months ended 30 September 2020 is increased by 3% to approximately RMB49,484,000 (For the nine months ended 30 September 2019: approximately RMB47,936,000). The increase in the cost of sales was mainly due to increase in staff costs.

Administrative expenses for the nine months ended 30 September 2020 is increased by 13% to approximately RMB11,181,000 (For the nine months ended 30 September 2019: approximately RMB9,872,000). The increase in administrative expenses was mainly due to the increase in staff costs. For the distribution and selling expenses, it is decreased by 14% to RMB9,009,000 (For the nine months ended 30 September 2019: approximately RMB10,420,000). The decrease in distribution and selling expenses was mainly due to our effective cost control measures. 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 2020 was decreased by 16% to approximately RMB1,659,000 (For the nine months ended 30 September 2019: approximately RMB1,976,000). The decreased in finance costs was mainly attributable to decrease in the recognition of interest expenses of lease liabilities due to adoption of IFRS16 and decrease in borrowings.

The Group recorded net loss of approximately RMB17,361,000 for the nine months ended 30 September 2020 (For the nine months ended 30 September 2019: a profit of approximately RMB1,743,000). The turnaround from profit to loss was mainly attributable to a significant decrease in revenue due to the COVID-19 pandemic.

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 2020**

Despite China's economic recovery, all industries and sectors have been severely affected as the global financial crisis continues to unfold in 2020. Since banks were forced to suspend their operations or postpone their plans for three to even six months except for the essential services, the Group's growth over the past five years was entirely wiped out. The substantial suspension of banking operations, and the further disruptions caused by the cluster outbreaks in Heilongjiang, North China, Xinjiang and Qingdao have severely undermined the industry' development. Therefore, the Group recorded a loss of RMB17,361,000 during the first three quarters of 2020 as the revenue in the third quarter dropped by 30% compared with the same period last year while cost of sales and total expenses rose by 2%. Despite the disappointing performance, the Group was able to maintain its operations through the challenging times by leveraging the strong record of payment collection in previous years, and by making further progress in the development of the strategy that focuses on a core business and two complementary products in line with the overall strategy.

“Payment plus service” 1. Payment: As the demand plunged drastically due to the suspension or closing down of branches, shopping malls and stores during the pandemic, and most of the banking services were delivered via mobile app, the Group's “Payment plus Service” department shifted its development focus online. Apart from launching the WeChat Pay and CCB payment channels, cloud-based MIS was also introduced to adapt to the increasingly diversified models. Meanwhile, the Group also moved the payment process from offline to online, such as working with banks to deepen the overall process development.

“Payment plus service” 2. Service: Development of offline markets and targeted development of merchant service businesses have become one of the main objectives of the Group. The Group increased the number of banks served from only two provincial branch banks six years ago to a number of banks in 15 provinces, including Zhejiang, Jiangsu, Guangdong and other economic powerhouses, as well as Northwest China and Xinjiang where favourable policies are in place, in the third quarter of the year. Nonetheless, the outbreak has shifted the marketing focus online and conventional marketing channels have been replaced by online videos. Therefore, the Group's services will further reflect the operation project of “deepening value-added services and strengthening the cooperation with banks with a focus on merchants”, where businesses which were divided will be gradually combined to integrate banking outsourcing service products (merchant) and payment products, and business portfolio will become the future development orientation.

Cooperation with leading urban commercial banks in China, such as Bank of Beijing, Bank of Shanghai, Bank of Jiangsu and Bank of Nanjing, resulted in a better utilisation of the Group’s existing customer base, existing resources in the market and market share for rapid development of capital products with the cooperation with branded banks, such that a sales model of “flexible business portfolio” of the products on the whole was formed. Meanwhile, as all banks postponed their capital projects by three to six months due to the pandemic, the Group seized the opportunity to consolidate its products, and re-consolidate its foreign currency products, further build a more complete capital system so as to get prepared for the reopening of markets.

## **OUTLOOK**

The “Payment plus outsourcing service”, business platform evolved from traditional operations and “Bank-School Express” remain our main sources of big data. Based on these products, the Group has developed a unique OFFLINE TO ONLINE (O2O) model, and will 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.

The Group will continue to implement stringent cost control, and strengthen the risk control over the overall operations and individual business in order to establish a virtuous cycle of identifying new sources of income and lowering the costs.

## **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 2020, 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 shareholders</b>	<b>Capacity/ 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	431,782,500 <i>(note 1)</i>	—	32.78%
Great Song Enterprises Limited	Beneficial owner	431,782,500 <i>(notes 1 and 2)</i>	—	32.78%
Mr. Hung Yung Lai	Corporate interest	431,782,500 <i>(notes 2 and 4)</i>	—	32.78%
	Beneficial owner	72,782,500	—	5.53%
Ms. Li Kei Ling	Corporate interest	431,782,500 <i>(notes 2 and 3)</i>	—	32.78%
Mdm. Iu Pun	Family interest	581,466,500 <i>(note 5)</i>	—	44.14%

## b) Share options

<b>Name of shareholder</b>	<b>Capacity/ Nature of interest</b>	<b>Number of options held</b>	<b>Number of underlying shares</b>
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 72,782,500 shares beneficially owned by Mr. Hung Yung Lai for the purpose of SFO.

Save as disclosed above, as at 30 September 2020, 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 2020, 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	72,782,500	76,901,500	149,684,000	11.36%
Mr. Hung Ying	Long Position	Beneficial owner	14,547,500	3,862,822	18,410,322	1.40%
Mr. Lin Xue Xin	Long Position	Beneficial owner	9,470,000	5,809,021	15,279,021	1.16%
Mr. Pao Ping Wing	Long Position	Beneficial owner	-	307,606	307,606	0.02%
Mr. Thomas Tam	Long Position	Beneficial owner	-	307,606	307,606	0.02%
Mr. Lo King Man	Long Position	Beneficial owner	-	307,606	307,606	0.02%

## 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 2020 composed of 2 ordinary shares.

Save as disclosed above, as at 30 September 2020, 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. Options granted on 19 January 2010 were expired during year 2020.

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. Options granted on 16 August 2010 were expired during year 2020.

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\$	Number of share options outstanding as at 1 January 2020	Number of share options granted during the period	Number of share options exercised during the period	Number of share options lapsed during the period	Number of share options outstanding as at 30 September 2020
Pao Ping Wing	19 July 2010 to 18 January 2020	0.1690	709,860	-	-	(709,860)	-
Thomas Tam	19 July 2010 to 18 January 2020	0.1690	709,860	-	-	(709,860)	-
Lo King Man	19 July 2010 to 18 January 2020	0.1690	709,860	-	-	(709,860)	-
Hung Ying	19 July 2010 to 18 January 2020	0.1690	2,957,750	-	-	(2,957,750)	-
Lin Xue Xin	19 July 2010 to 18 January 2020	0.1690	769,015	-	-	(769,015)	-
Continuous contract employees (other than directors)	19 July 2010 to 18 January 2020	0.1690	3,229,863	-	-	(3,229,863)	-
Hung Ying	16 February 2011 to 15 August 2020	0.7100	1,833,805	-	-	(1,833,805)	-
Lin Xue Xin	16 February 2011 to 15 August 2020	0.7100	366,761	-	-	(366,761)	-
Continuous contract employees (other than directors)	16 February 2011 to 15 August 2020	0.7100	591,550	-	-	(591,550)	-
Hung Yung Lai	28 February 2011 to 9 January 2021	0.6170	76,901,500	-	-	-	76,901,500
Lin Xue Xin	28 February 2011 to 12 January 2021	0.6035	816,339	-	-	-	816,339

Name of directors, continuous contract employees and consultants	Exercise period	Adjusted exercise price HK\$	Number of share options outstanding as at 1 January 2020	Number of share options granted during the period	Number of share options exercised during the period	Number of share options lapsed during the period	Number of share options outstanding as at 30 September 2020
Continuous contract employees (other than directors)	28 February 2011 to 12 January 2021	0.6035	13,723,960	-	-	-	13,723,960
Hung Ying	24 June 2013 to 23 June 2023	0.0948	47,324	-	-	-	47,324
Continuous contract employees (other than directors)	24 June 2013 to 23 June 2023	0.0948	7,335,220	-	-	-	7,335,220
Hung Ying	15 May 2015 to 14 May 2025	0.3635	2,247,890	-	-	-	2,247,890
Lin Xue Xin	15 May 2015 to 14 May 2025	0.3635	3,549,300	-	-	-	3,549,300
Continuous contract employees (other than directors)	15 May 2015 to 14 May 2025	0.3635	16,859,175	-	-	-	16,859,175
Hung Ying	7 April 2017 to 6 April 2027	0.1538	1,567,608	-	-	-	1,567,608
Lin Xue Xin	7 April 2017 to 6 April 2027	0.1538	1,443,382	-	-	-	1,443,382
Pao Ping Wing	7 April 2017 to 6 April 2027	0.1538	307,606	-	-	-	307,606
Thomas Tam	7 April 2017 to 6 April 2027	0.1538	307,606	-	-	-	307,606
Lo King Man	7 April 2017 to 6 April 2027	0.1538	307,606	-	-	-	307,606
Continuous contract employees (other than directors)	7 April 2017 to 6 April 2027	0.1538	36,131,874	-	-	(5,915,500)	30,216,374
Consultants	7 April 2017 to 6 April 2027	0.1538	42,644,839	-	-	-	42,644,839
			<u>216,069,553</u>	<u>-</u>	<u>-</u>	<u>(17,793,824)</u>	<u>198,275,729</u>

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 year ended 31 December 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 2020.

## **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 2020.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the code of conduct regarding directors' securities transactions during the nine months ended 30 September 2020 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 2020.

## **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 2020 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, 10 November 2020