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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "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.

This announcement, for which the directors of Sing Lee Software (Group) Limited (the "Company") 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 announcement 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 announcement misleading.

* *For identification purposes only*

RESULTS

The board of Directors ("Board") of Sing Lee Software (Group) Limited (the "Company") is pleased to announce the audited combined results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010, together with the comparative figures for the corresponding periods in 2009, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010
(Expressed in Renminbi)

	NOTES	**2010** *RMB'000*	2009 *RMB'000* (Restated)
Revenue	*6*	**15,435**	41,417
Cost of sales		**(19,360)**	(31,957)
Gross (loss) profit		**(3,925)**	9,460
Other income		**939**	2,107
Other gains	*7*	**17,327**	23
Distribution and selling expenses		**(3,674)**	(2,169)
Administrative expenses		**(16,139)**	(9,210)
Allowance on trade receivables		**(6,310)**	(925)
Research and development costs		**(4,476)**	–
Impairment loss on intangible assets		**(2,950)**	(309)
Loss on initial recognition of warrant subscription rights		**(43,132)**	–
Finance costs	*8*	**(481)**	(524)
Loss before tax		**(62,821)**	(1,547)
Income tax expense	*9*	**843**	–
Loss for the year		**(63,664)**	(1,547)
Other comprehensive income			
Exchange differences arising on translation		**–**	1,416
Total comprehensive expense for the year		**(63,664)**	(131)
Loss per share			
– basic *(RMB cents)*	*11*	**(8.42)**	(0.23)
– diluted *(RMB cents)*	*11*	**(10.39)**	(0.23)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

(Expressed in Renminbi)

	NOTES	31 December **2010** *RMB'000*	2009 *RMB'000* (Restated)	1 January 2009 *RMB'000* (Restated)
Non-current Assets				
Property, plant and equipment		**2,312**	458	750
Intangible assets		**–**	4,886	7,504
		2,312	5,344	8,254
Current Assets				
Inventories		**857**	4,922	5,314
Trade and other receivables	*12*	**9,773**	21,103	8,991
Loan receivable		**4,269**	–	–
Held for trading investments		**9,623**	–	–
Bank balances and cash		**35,926**	5,063	2,821
		60,448	31,088	17,126
Current Liabilities				
Trade and other payables	*13*	**12,077**	15,418	9,003
Amount due to a director		**297**	301	128
Amount due to a shareholder		**11**	12	12
Tax liabilities		**527**	–	–
Borrowings		**–**	18,551	16,805
Derivative financial liability		**27,763**	–	–
		40,675	34,282	25,948
Net Current Assets (Liabilities)		**19,773**	(3,194)	(8,822)
Total Assets less Current Liabilities		**22,085**	2,150	(568)
Capital and reserves				
Share capital		**8,132**	6,827	6,827
Reserves		**13,953**	(4,677)	(7,395)
Equity attributable to the owners of the Company		**22,085**	2,150	(568)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital *RMB'000*	Share premium *RMB'000*	Statutory surplus reserve *RMB'000*	Translation reserve *RMB'000*	Share options reserve *RMB'000* (Restated)	Accumulated losses *RMB'000* (Restated)	Total *RMB'000* (Restated)
At 1 January 2009 as originally stated	6,827	72,651	3,613	3,801	–	(87,460)	(568)
Correction of accounting error of prior years *(note 3)*	–	–	–	–	5,392	(5,392)	–
At 1 January 2009 (restated)	6,827	72,651	3,613	3,801	5,392	(92,852)	(568)
Loss for the year *(note 3)*	–	–	–	–	–	(1,547)	(1,547)
Exchange differences arising on translation and other comprehensive income for the year	–	–	–	1,416	–	–	1,416
Total comprehensive expense for the year	–	–	–	1,416	–	(1,547)	(131)
Recognition of equity-settled share-based payments	–	–	–	–	2,849	–	2,849
At 31 December 2009 (restated)	6,827	72,651	3,613	5,217	8,241	(94,399)	2,150
Loss for the year and total comprehensive expense for the year	–	–	–	–	–	(63,664)	(63,664)
Recognition of equity-settled share based payments	–	–	–	–	3,175	–	3,175
Issue of ordinary shares	1,305	81,384	–	–	–	–	82,689
Transaction costs attributable to issue of shares	–	(2,265)	–	–	–	–	(2,265)
	1,305	79,119	–	–	3,175	–	83,599
At 31 December 2010	8,132	151,770	3,613	5,217	11,416	(158,063)	22,085

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 is used for expanding the capital base of the PRC subsidiaries by means of capitalisation issue.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

(Expressed in Renminbi)

1. GENERAL

Sing Lee Software (Group) Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The address of its registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" in the annual report.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its subsidiaries.

The principal activities of the Company and its subsidiaries (collectively the "Group") are development and sales of software products, sales of related hardware products and provision of software-related technical support services.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared on a going concern basis. The Company and its subsidiaries (the "Group") incurred a loss of RMB63,664,000 for the year ended 31 December 2010. In preparing the consolidated financial statements, the directors of the Company have reviewed the Group's financial and liquidity position, and taken into consideration of the following factors:

- ongoing financial support by the shareholder of the Company;
- cost control measures; and
- additional external funding.

The directors of the Company believe that, taking into account of the above factors, the Group's financial performance and liquidity will be improved and accordingly, have prepared the consolidated financial statement on a going concern basis.

3. CORRECTION FOR ACCOUNTING ERROR OF PRIOR YEARS

In prior years, the Group did not follow IFRS 2 Share-based Payment to account for share options granted to employees after 7 November 2002 and vested on or after 1 January 2005. The prior period errors are corrected by retrospective restatement to increase share options reserve and accumulated losses as at 1 January 2009 by RMB5,392,000 and to restate the result for the year ended 31 December 2009 from profit for the year of RMB1,302,000 to loss for the year of RMB1,547,000 with the recognition of share-based payment expenses amounting to RMB2,849,000. The cost of sales, distribution and selling expenses, and administrative expenses (excluding allowance on trade receivables and impairment loss on intangible assets) for the year ended 31 December 2009 are restated from RMB31,049,000, RMB1,943,000 and RMB7,495,000 to RMB31,957,000, RMB2,169,000 and RMB9,210,000 respectively. The basic and diluted earnings per share for the year ended 31 December 2009 of RMB0.20 cents are restated to the basic and diluted loss per share of RMB0.23 cents.

4. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

New and revised Standards and Interpretations applied in the current year

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board ("IASB").

IFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (as revised in 2008)	Business Combinations
IAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
IAS 39 (Amendment)	Eligible Hedged Items
IFRSs (Amendment)	Improvements to IFRSs issued in 2009
IFRSs (Amendment)	Amendments to IFRS 5 as part of Improvements to IFRSs issued in 2008
IFRIC 17	Distributions of Non-cash Assets to Owners

The application of the new and revised IFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs issued in 2010[1]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
IFRS 9	Financial Instruments[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
IAS 24 (as revised in 2009)	Related Party Disclosures[6]
IAS 32 (Amendments)	Classification of Rights Issues[7]
IFRIC – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
IFRIC – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] *Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.*
[2] *Effective for annual periods beginning on or after 1 July 2010.*
[3] *Effective for annual periods beginning on or after 1 July 2011.*
[4] *Effective for annual periods beginning on or after 1 January 2013.*
[5] *Effective for annual periods beginning on or after 1 January 2012.*
[6] *Effective for annual periods beginning on or after 1 January 2011.*
[7] *Effective for annual periods beginning on or after 1 February 2010.*

IFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 *Financial Instruments* (as revised in October 2010) adds requirements for financial liabilities and for derecognition.

Specifically, under IFRS 9, all recognised financial assets that are within the scope of IAS 39 Financial instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013. The directors are in the process of assessing the impact of the adoption of IFRS 9.

The directors of the Company anticipate that the application of the other new and revised IFRSs will have no material impact on the consolidated financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- the amount of revenue can be measured reliably;

- it is probable that the economic benefits associated with the transaction will flow to the Group; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from sales of hardware and software products is recognised when the goods are delivered and title has passed upon customers' acceptance.

Service income for provision of software-related technical support is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

6. REVENUE AND SEGMENT INFORMATION

The Group's operations are organised based on the different types of products sold and service provided. Information reported to the Board of 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.

Segment revenues and results

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

2010

	Sale of software products	Sale of related hardware products	Provision of Software-related technical support services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
External sales and total revenue – segment revenue	**1,867**	**903**	**12,665**	**15,435**
SEGMENT RESULTS	**(3,643)**	**(5,702)**	**(27,655)**	**(37,000)**
Unallocated other income				**939**
Unallocated other gains				**17,327**
Unallocated corporate expenses				**(474)**
Finance costs				**(481)**
Loss on initial recognition of warrant subscription rights				**(43,132)**
Loss before tax				**(62,821)**

2009 (Restated)

	Sale of software products	Sale of related hardware products	Provision of Software-related technical support services	Total
External sales and total revenue – segment revenue	1,605	13,697	26,115	41,417
SEGMENT RESULTS	(86)	(970)	(1,710)	(2,766)
Unallocated other income				2,107
Unallocated other gains				23
Unallocated corporate expenses				(387)
Finance costs				(524)
Loss before tax				(1,547)

The accounting policies of the operating segments are the same as the Group's accounting policies as described in note 5. Segment loss represents the loss from each segment without allocation of directors' remuneration, finance costs, loss on initial recognition of warrant subscription rights, unallocated other income and other gains. 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.

Other segment information

2010

	Sale of software products	**Sale of related hardware products**	**Provision of software related technical support services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Amounts included in the measure of segment loss:				
Depreciation of property, plant and equipment	**26**	**13**	**180**	**219**
Amortisation of intangible assets	**234**	**113**	**1,589**	**1,936**
Allowance on trade receivables	**763**	**369**	**5,178**	**6,310**
Impairment loss recognised on inventories	**–**	**3,939**	**–**	**3,939**
Impairment loss recognised on intangible assets	**–**	**–**	**2,950**	**2,950**
Share-based payment expenses	**376**	**180**	**2,532**	**3,088**

2009

	Sale of software products	Sale of related hardware products	Provision of software related technical support services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment	15	127	243	385
Amortisation of intangible assets	101	866	1,651	2,618
Gain on disposal of property, plant and equipment	1	7	15	23
Allowance on trade receivables	36	306	583	925
Impairment loss recognised on inventories	–	236	–	236
Impairment loss recognised on intangible assets	–	–	309	309
Share-based payment expenses	109	942	1,798	2,849

Revenue from major products and services:

	2010	2009
	RMB'000	*RMB'000*
Software products		
POS-MIS V2.0	**1,701**	1,434
Sing Lee payment management system 1.0	**166**	171
	1,867	1,605
Hardware products		
NUTRIT293 Key board	**225**	174
Vefifone5150+PP1000	**216**	447
Others	**462**	13,076
	903	13,697
Provision of software-related technical support services		
Development	**4,252**	3,310
Maintenance	**8,413**	22,805
	12,665	26,115
	15,435	41,417

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.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2010	2009
	RMB'000	*RMB'000*
Customer A[1]	**1,776**	N/A[2]
Customer B[1]	**1,571**	N/A[2]
Customer C[1]	**N/A[2]**	5,294
	3,347	5,294

[1] *Revenue from maintenance services in provision of software-related technical support services.*

[2] *The corresponding revenue did not contribute over 10% of the total sales of the Group.*

7. OTHER GAINS

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Fair value gain on derivative financial liability	**15,325**	–
Fair value gain on investments held for trading	**1,713**	–
Net foreign exchange gain	**289**	–
Gain on disposal of property, plant and equipment	**–**	23
	17,327	23

8. FINANCE COSTS

	2010	2009
	RMB'000	*RMB'000*
Expenses on issue of warrants	**277**	–
Interest on bank and other borrowings wholly repayable within five years	**204**	524
	481	524

9. INCOME TAX EXPENSE

	2010	2009
	RMB'000	*RMB'000*
PRC enterprise income tax ("EIT")		
– Current year	**527**	–
– Under provision in prior years	**316**	–
	843	–

Hangzhou Singlee Technology Company Limited ("Singlee Technology"), a subsidiary of the Company, was established in Hangzhou, PRC, with applicable tax rate of 25%. In 2010, 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 from PRC EIT for three years starting from 2010. Accordingly, the tax rate for Singlee Technology is 15% for the years ended 31 December 2010.

According to the New PRC Enterprise Income Tax Law, the applicable tax rate of Hangzhou Singlee Software Company Limited ("Singlee Software"), Singlee Software (Zhuhai) Company Limited ("Singlee Zhuhai") and Beijing Century Financial Knowledge Company Limited ("Beijing Century") is 25% for the years ended 31 December 2010 and 2009.

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits arising from Hong Kong during the years ended 31 December 2010 and 2009.

The tax charge for the year is reconciled to the loss before tax per the consolidated statement of comprehensive income as follows:

	2010	2009
	RMB'000	*RMB'000*
		(restated)
Loss before tax	**(62,821)**	(1,547)
Tax charge at enterprise income tax rate at 15% (2009: 25%) *(note)*	**(9,423)**	(387)
Tax effect of income not taxable for tax purpose	**(12)**	(74)
Tax effect of expenses not deductible for tax purpose	**1,174**	1,651
Effect of different tax rates of group entities	**4,234**	(533)
Tax effect of deductible temporary difference not recognised	**1,537**	250
Tax effect of tax losses not recognised	**3,017**	1,016
Utilisation of tax losses previously not recognized	**–**	(1,923)
Under provision in respect of prior years	**316**	–
Tax charge for the year	**843**	–

Note: Applicable income tax rate of 15% (2009: 25%) represents the relevant income tax rate of Singlee Technology, the subsidiary of the Company which generates majority of the Group's assessable profit.

At the end of the reporting period, the Group has unused tax losses of RMB24,176,000 (2009: RMB4,064,000), available for offset against future profits and deductible temporary differences of RMB16,714,000 (2009: RMB6,465,000). The unused tax losses would be expired in 2015. No deferred tax asset has been recognised in relation to the unused tax losses and the deductible temporary difference as it is not probable that taxable profits will be available against which the unused tax losses and the deductible temporary differences can be utilised.

10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging and crediting the following items:

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Salaries, wages and other staff benefits	**9,525**	6,715
Retirement benefits scheme contribution	**2,069**	1,517
Equity-settled share-based payment expenses	**3,175**	2,849
Total staff costs *(note)*	**14,769**	11,081
Depreciation of property, plant and equipment	**219**	385
Amortisation of intangible assets (included in cost of sales)	**1,936**	2,618
Auditor's remuneration	**384**	282
Operating lease rentals in respect of rental premises	**2,032**	1,041
Impairment loss recognised on inventories (included in cost of sales)	**3,939**	236
Cost of inventories recognised as an expense	**4,694**	12,732
Interest income	**(415)**	(20)
Government grants		
– subsidy related to products	**(300)**	–
– value-added tax refunds	**(224)**	(298)
Write back of trade and other payables	**–**	(1,092)
Sundry income	**–**	(697)

Note: Directors' emoluments are included in the above staff costs.

11. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Loss		
Loss for the purpose of basic loss per share		
(loss for the year attributable to owners of the Company)	**(63,664)**	(1,547)
Effect of dilutive warrant subscription rights:		
– Fair value gain on warrant subscription rights	**(15,325)**	–
Loss for the purpose of diluted loss per share	**(78,989)**	(1,547)

	2010	2009
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares		
for the purpose of basic loss per share	**756,482**	663,200
Effect of dilutive potential ordinary shares		
– warrant subscription rights	**3,529**	–
Weighted average number of ordinary shares		
for the purpose of diluted loss per share	**760,011**	663,200

The computation of diluted loss per share for the year ended 31 December 2010 does not assume the exercise of the Company's outstanding 2002 Option and 2010 August Option (as defined in note 28) as the exercise prices of those options are higher than the average market price of shares for 2010. The computation of diluted loss per share for the year ended 31 December 2010 also does not assume the exercise of the Company's outstanding 2007 Option and 2010 January Option (as defined in note 28) as the assumed exercise of 2007 Option and 2010 January Option would result in the decrease of loss per share.

The computation of diluted loss per share for the year ended 31 December 2009 does not assume the exercise of the Company's outstanding 2002 Option and 2007 Option as the exercise prices of those options are higher than the average market price of shares for 2009.

12. TRADE AND OTHER RECEIVABLES

	31 December		1 January
	2010	2009	2009
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	**16,339**	22,165	9,401
Less: allowance for doubtful debts	**(7,885)**	(1,575)	(650)
	8,454	20,590	8,751
Prepayments	**1,319**	513	240
	9,773	21,103	8,991

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. Before accepting any new customer, the Group conducts research on the creditworthiness of the new customer and assesses the potential customer's credit quality and defines credit limits by customer.

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

	2010	2009
	RMB'000	*RMB'000*
0 – 120 days	**6,124**	12,384
121 – 180 days	**577**	1,008
181 – 360 days	**1,753**	3,003
361 – 730 days	**–**	3,408
Over 731 days	**–**	787
	8,454	20,590

Included in the Group's trade receivables are debtors with the gross aggregate carrying amount of RMB3,506,000 (2009: RMB7,198,000) which are past due as at the end of the reporting period for which the Group has recognised for impairment losses of RMB1,753,000 (2009: Nil). The Group does not hold any collateral or credit enhancements over these balances.

Ageing of trade receivables after impairment losses which are past due:

	2010	2009
	RMB'000	*RMB'000*
Overdue:		
Less than 1 year	**1,753**	3,003
1 – 2 years	**–**	3,408
2 – 3 years	**–**	787
	1,753	7,198

The remaining trade receivables which are neither past due nor impaired mainly comprise the receivables due form state-owned and local commercial banks with good reputation.

Movement in the allowance for doubtful debts

	2010	2009
	RMB'000	*RMB'000*
1 January	**1,575**	650
Allowance on receivables	**6,310**	925
31 December	**7,885**	1,575

As at 31 December 2009, the directors had considered the credit quality and the past experience in pattern of collection of settlements from the trade receivables and are in the opinion that trade receivables of RMB1,575,000 were irrecoverable and accordingly, full impairment loss for such receivables was made.

The directors have assessed the objective evidence of impairment for the portfolio of trade receivables by reference to existing business relationship with the customers, settlement pattern during the year and identified that there was increase in number of delayed settlements in the portfolio of overdue trade receivables and also decrease in sales transactions with certain customers during the year due to the change of business and sales plan. The directors considered certain of these long overdue trade receivables as at 31 December 2010 are irrecoverable and accordingly, impairment losses of RMB7,885,000 for such receivables was made as at 31 December 2010.

Certain of the Group's trade and other receivables of RMB1,152,000 (2009: RMB645,000), were denominated in US$ and HK$, foreign currencies of respective group entities.

13. TRADE AND OTHER PAYABLES

	31 December		1 January
	2010	2009	2009
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	**7,927**	11,831	4,169
Deposits received from customers	**1,289**	715	958
Payroll payables	**828**	430	412
Other payables	**2,033**	2,442	3,464
Total	**12,077**	15,418	9,003

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

	2010	2009
	RMB'000	*RMB'000*
Within 90 days	**915**	4,271
91 – 180 days	**424**	4,409
181 – 365 days	**3,973**	2,613
366 – 730 days	**2,066**	–
Over 731 days	**549**	538
	7,927	11,831

Certain of the Group's trade and other payable of RMB1,245,000 (2009: RMB1,114,000), were denominated in US$ and HK$, foreign currencies of respective group entities.

DIVIDENDS

No dividends have been paid or declared by the Company during the year (2009: Nil).

EXTRACTED FROM INDEPENDENT AUDITOR'S REPORT

The following paragraphs extracted from the independent auditor's report on the Group's financial statements for the year ended 31 December 2010.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010, and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicates that the Group incurred a net loss of RMB63,664,000 during the year ended 31 December 2010. This condition, along with other matters as set forth in Note 2, indicates the existence of a material uncertainty which may cast doubt about the Company's and the Group's ability to continue as a going concern.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2009 were audited by another auditor who expressed an unmodified opinion on those financial statements on 26 March 2010.

BUSINESS REVIEW AND ANALYSIS

"Mobile Payment" Business of Mobile E-commerce

On 20 August 2010 and 25 October 2010, the Group entered into a four-year and a five-year strategic cooperation agreement with the Yunnan Branch of China UnionPay Co., Ltd. and the China UnionPay Co., Ltd. respectively. The Yunnan project was officially launched on 20 August. In the fourth quarter, the Hubei and Guizhou projects were also launched consecutively, along with official operation commenced in the three provinces. The Group is of the view that as the number of subscribers has increased to nearly one hundred thousand in only three months' time, it proves that the market response is good and the long-term strategic cooperation with UnionPay in the extensive market of "mobile payment" and "mobile e-commerce" is of significant strategic meaning. The negotiation and the preparation work in various aspects have commenced for the projects in Shanghai, Zhejiang and Jiangsu.

Finance and Banking Business

The Group introduced its first and second generation RUNPOS products to two more large-scale commercial banks during the year, which significantly increased our market share and sales, and laid a more extensive market foundation for the development of "mobile payment" business.

Future Outlook

In order to ensure the smooth progress of the "mobile payment", a material strategic project in collaboration with UnionPay in the year, the Group recorded substantial increase in costs attributable by its investment in human resources, research and development, and market exposure, which has resulted in a loss for the Group over the year. However, the Group is of the view that such centralised investment is necessary, which is of significant strategic meaning to the formation of long-term development and core competitiveness of the Group. Hence, the Group has undergone two rounds of financing. The analysis of the financing market response has demonstrated that the "mobile payment" and "mobile e-commerce" projects of the Group were adequately recognised by the market.

The Group will be fully committed in developing the innovative products of our RUNPOS series, particularly the "mobile payment" and "mobile e-commerce", in order to steadily achieve the substantial target of strategic transformation of the Group. We will continue to enhance the close cooperation and effective work with UnionPay and other major clients, and reinforce the risk control and various sorts of management in respect of safety, technology, research and development, marketing, sales and finance. In particular, stringent monitoring and risk control are imposed on the various investments of capital so as to ensure the real success of the strategic transformation of the Group.

FINANCIAL REVIEW

The Group is principally engaged in the development and sales of information and network technologies and services to the financial industry in the People's Republic of China (the "PRC").

For the year ended 31 December 2010 ("the financial year"), the Group recorded a total turnover of approximately RMB15,435,000 representing a decrease of 63% as compared to last year (last year turnover were approximately RMB41,417,000).

Turnover of the Group comprises of:

	Turnover	
	2010	2009
	RMB'000	*RMB'000*
Sale of software products	**1,867**	1,605
Sale of related hardware products	**903**	13,697
Provision of software-related technical support services	**12,665**	26,115

The Group recorded a loss of approximately RMB63,664,000 for the financial year, a significant loss as compared to last year (net loss for last year was approximately RMB1,547,000). Decrease in turnover, initial recognition of warrants in derivative financial liability, impairment loss on intangible assets, allowance on trade receivables, impairment loss recognised on inventories, increase in distribution and selling expenses, increase in administrative expenses and research and development costs are of the factors leading to the significant loss.

We will continue trying our best to increase sales and strengthen our cost control. 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 will be further improved in the coming year.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING RATIO

As at 31 December 2010, the Group's bank loans was NIL (2009: a bank loan of RMB16.8 million, which bore interest at rate of Hong Kong Dollar Inter Bank Offered Rate plus 2.75% per annum and other loan of RMB1.8 million, which bore interest at 3% per annum).

No interest was capitalised by the Group during the year (2009: Nil).

As at 31 December 2010, the Group held cash and cash equivalents denominated in RMB, US dollars and HK dollars, amounted to approximately RMB35.9 million. (2009: RMB5.1 million)

The gearing ratio of the Group, based on total liabilities over total assets, as at 31 December 2010 was approximately 65% (2009: 94%).

ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The group did not have any material acquisitions or disposals of subsidiaries and affiliated companies, or significant investments during the year.

SEGMENTAL INFORMATION

Segmental information is presented for the Group as disclosed on note 6 of the notes to the financial statements.

EMPLOYEE INFORMATION

As at 31 December 2010, the Group had 199 employees (2009: 119 employees), including both the PRC and Hong Kong employees. Remuneration and bonus policy are basically determined by the performance of the individual employees and financial results of the Group. Total staff costs for the year amounted to approximately RMB14.8 million (2009: RMB11 million).

The Group adopted a share option scheme, details of which were set out in the Report of the Directors.

CHARGE ON GROUP ASSETS

As at 31 December 2010, the Group did not have any charges on group assets.

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 31 December 2010, the Group did not have any material contingent liabilities (2009: Nil).

PROSPECTS OF NEW PRODUCTS

Please refer to the Chairman's Statement for a discussion on this.

FIVE YEARS FINANCIAL SUMMARY OF THE GROUP

	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007	Year ended 31 December 2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(Restated)	(Restated)	
Turnover	**15,435**	41,417	18,214	29,719	21,377
Profit/(loss) attributable to shareholders	**(63,664)**	(1,547)	(8,454)	17	(16,151)
Total assets	**62,760**	36,432	25,380	32,687	27,160
Total liabilities	**40,675**	34,282	(25,948)	(44,731)	(41,713)
Net assets/(liabilities)	**22,085**	2,150	(568)	(12,044)	(14,553)

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchases and sales for the year ended 31 December 2010 attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	25% (2009: 47%)
– five largest suppliers combined	66% (2009: 96%)
Sales	
– the largest customer	12% (2009: 13%)
– five largest customers combined	44% (2009: 48%)

None of the Directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers stated above.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. The Company has applied the principles and complied with the requirements set out in the Code on Corporate Governance Practices ("CG code") contained in Appendix 15 of the GEM listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions during the twelve months ended 31 December 2010 as set out in GEM Listing Rules 5.48 to 5.67. The Company has made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding the securities transactions by Directors.

AUDIT COMMITTEE

The audited financial statements of the Company for the year ended 31 December 2010 have been reviewed by the Audit Committee before recommending it to the Board for approval.

By Order of the Board
Hung Yung Lai
Chairman

Hong Kong, 28 March 2011

As at the date of this announcement, the Board comprises Hung Yung Lai (executive Director), Cui Jian (executive Director), Xu Shu Yi (executive Director), Pao Ping Wing (independent non-executive Director), Tam Kwok Hing (independent non-executive Director) and Lo King Man (independent non-executive Director).

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least seven days from the day of its posting and on the Company's website at http://www.singlee.com.cn.