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 2017

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.

* *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 2017, together with the comparative figures for the corresponding periods in 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017
(Expressed in Renminbi)

	NOTES	**2017** *RMB'000*	2016 *RMB'000*
Revenue	*4*	**79,168**	64,557
Cost of sales		**(41,218)**	(34,109)
Gross profit		**37,950**	30,448
Other income		**2,535**	1,625
Other gains and losses	*5*	**1,632**	(2,303)
Distribution and selling expenses		**(10,768)**	(9,162)
Administrative expenses		**(16,157)**	(11,106)
Reversal of impairment loss recognised on trade receivables		**1,077**	440
Finance costs	*6*	**(2,069)**	(998)
Profit before tax		**14,200**	8,944
Income tax credit (expense)	*7*	**1,598**	(1,916)
Profit and total comprehensive income for the year	*8*	**15,798**	7,028
Earnings per share			
– basic *(RMB cents)*	*9*	**1.83**	0.81
– diluted *(RMB cents)*	*9*	**1.82**	0.81

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

(Expressed in Renminbi)

	NOTES	2017 RMB'000	2016 RMB'000
Non-current Assets			
Property, plant and equipment		**13,366**	7,525
Intangible assets		**5,821**	1,802
Deferred tax asset		**1,943**	–
		21,130	9,327
Current Assets			
Inventories		**446**	427
Trade and other receivables	*10*	**50,990**	41,383
Held for trading investments		**305**	707
Bank balances and cash		**35,034**	23,186
		86,775	65,703
Current Liabilities			
Trade and other payables	*11*	**17,255**	12,980
Amounts due to directors		**325**	1,037
Amount due to immediate holding company		**11**	12
Tax payable		**–**	1,661
Borrowings		**13,492**	4,444
		31,083	20,134
Net Current Assets		**55,692**	45,569
Total assets less current liabilities		**76,822**	54,896
Non-current Liability			
Borrowings		**51,472**	51,638
Net Assets		**25,350**	3,258
Capital and reserves			
Share capital		**8,551**	8,551
Reserves		**16,799**	(5,293)
Total Equity		**25,350**	3,258

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital *RMB'000*	Share premium *RMB'000* *(Note a)*	Statutory reserves *RMB'000* *(Note b)*	Shareholder's contribution *RMB'000* *(Note c)*	Translation reserve *RMB'000*	Share options reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2016	8,551	158,608	3,613	–	5,217	31,953	(212,522)	(4,580)
Profit and total comprehensive income for the year	–	–	–	–	–	–	7,028	7,028
Lapse of share options	–	–	–	–	–	(1,291)	1,291	–
Recognition of equity-settled share-based payments	–	–	–	–	–	810	–	810
At 31 December 2016	8,551	158,608	3,613	–	5,217	31,472	(204,203)	3,258
Profit and total comprehensive income for the year	–	–	–	–	–	–	15,798	15,798
Shareholder's contribution	–	–	–	786	–	–	–	786
Lapse/expired of share options	–	–	–	–	–	(3,176)	3,176	–
Recognition of equity-settled share-based payments	–	–	–	–	–	5,508	–	5,508
At 31 December 2017	8,551	158,608	3,613	786	5,217	33,804	(185,229)	25,350

Notes:

(a) 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.

(b) 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.

(c) 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.

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 GEM of The Stock Exchange of Hong Kong Limited. The address of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" in the annual report. Its immediate and ultimate holding company is Goldcorp Industrial Limited, a company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Hung Yung Lai, who is also the Chairman and an executive director of the Company.

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 technical support services. The principal activities of its subsidiaries are set out in note to the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Application of amendments to IFRSs

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year.

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	Included in Annual Improvements to IFRS Standards 2014-2016 Cycle

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note to the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note to the consolidated financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and amendments to IFRSs and interpretation issued but not yet effective

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[3]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle[2]

1 *Effective for annual periods beginning on or after 1 January 2018*
2 *Effective for annual periods beginning on or after 1 January 2019*
3 *Effective for annual periods beginning on or after a date to be determined*
4 *Effective for annual periods beginning on or after 1 January 2021*

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investment 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contracting cash flows and selling financial assets, and that have contractual terms of the financial asset that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company anticipates that the application of IFRS 9 in the future has no material impact on the amounts reported and disclosures made in the Group's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, clarifications to IFRS 15 are issued in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are currently presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of approximately RMB1,804,000 (2016: RMB1,075,000) as disclosed in note to the consolidated financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, The Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB260,000 as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Except as described above, the directors of the Company anticipate that the application of the other amendments to IFRSs and interpretation will not have material impact on the Group's financial performance and positions and/or the disclosures to the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

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 goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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 Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

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

Revenue from a contract to provide technical support is recognised by reference to the stage of completion of the contract. Servicing fees are recognised by reference to the proportion of the total cost of providing the servicing for the product sold.

Service income for provision of other 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.

4. REVENUE AND SEGMENT INFORMATION

Information reported to the Company's executive directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under IFRS 8 Operating Segments are as follows:

1. Sales of software products

2. Sales of related hardware products

3. Provision of technical support services

No operating segments have been aggregated in arising at the reportable segments of the group.

Segment revenues and results

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

	Sales of software products *RMB'000*	Sales of related hardware products *RMB'000*	Provision of technical support services *RMB'000*	Total *RMB'000*
2017				
External sales and total revenue – segment revenue	**12,525**	**4,174**	**62,469**	**79,168**
SEGMENT RESULTS	**3,103**	**1,154**	**13,157**	**17,414**
Unallocated other income				**2,535**
Unallocated other gains and losses				**1,632**
Unallocated corporate expenses				**(5,312)**
Finance costs				**(2,069)**
Profit before tax				**14,200**

	Sales of software products *RMB'000*	Sales of related hardware products *RMB'000*	Provision of technical support services *RMB'000*	Total *RMB'000*
2016				
External sales and total revenue – segment revenue	8,717	6,646	49,194	64,557
SEGMENT RESULTS	1,867	870	9,111	11,848
Unallocated other income				1,625
Unallocated other gains and losses				(2,303)
Unallocated corporate expenses				(1,228)
Finance costs				(998)
Profit before tax				8,944

The accounting policies of the operating segments are the same as the Group's accounting policies as described in note 3. Segment results represents the profit from each segment without allocation of finance costs, unallocated corporate expenses, other income and other gains and losses. This is the measure reported to the CODM 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 CODM for the purpose of resource allocation and performance assessment.

Other segment information

	Sales of software products *RMB'000*	**Sales of related hardware products** *RMB'000*	**Provision of technical support services** *RMB'000*	**Total** *RMB'000*
2017				
Amounts included in the measure of segment results:				
Depreciation of property, plant and equipment	**125**	**42**	**622**	**789**
Amortisation of intangible assets	**81**	**27**	**405**	**513**
Recovery of trade receivables previously impaired	**(170)**	**(57)**	**(850)**	**(1,077)**
Share-based payment expenses (excluding directors', employees' and consultants' expenses recognised in corporate expenses)	**322**	**107**	**1,605**	**2,034**
2016				
Amounts included in the measure of segment results:				
Depreciation of property, plant and equipment	117	90	664	871
Amortisation of intangible assets	49	37	280	366
Recovery of trade receivables previously impaired	(59)	(45)	(336)	(440)
Share-based payment expenses (excluding directors)	98	76	556	730

Geographical information

The Group's revenue from external customers is all generated from customers located in the PRC.

All non-current assets of the Group are located in the PRC by location of assets.

Information about major customers

Revenue from customers from sales of software products, related hardware products and provision of technical support services of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2017	2016
	RMB'000	*RMB'000*
Customer A	**15,467**	17,427
Customer B	**12,885**	13,694

5. OTHER GAINS AND LOSSES

	2017	2016
	RMB'000	*RMB'000*
Loss arising on change in fair value on financial assets classified as held for trading	**(362)**	(22)
Exchange gain (loss)	**2,304**	(2,277)
Inventories written down	**(294)**	–
Loss on disposal of property, plant and equipment	**(31)**	(4)
Others	**15**	–
	1,632	(2,303)

6. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on bank borrowings	**344**	299
Interest on loans from a director	**1,725**	699
	2,069	998

7. INCOME TAX (CREDIT) EXPENSE

	2017	2016
	RMB'000	*RMB'000*
PRC enterprise income tax ("EIT")		
– Current year	**–**	1,661
– Under provision in prior years	**345**	255
	345	1,916
Deferred taxation		
– Current year	**(1,943)**	–
	(1,598)	1,916

Hangzhou Singlee Technology Company Limited ("Singlee Technology"), a subsidiary of the Company, was established in Hangzhou, the PRC, with statutory tax rate of 25%. Singlee Technology is regarded as 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 is therefore entitled to 15% preferential tax rate for PRC EIT for three years starting from 2013. During the year ended 31 December 2016, it has been approved by Zhejiang Finance Bureau, Administrator of Local Taxation of Zhejiang Municipality and Zhejiang Municipal office of the State Administration of Taxation for extending three more years to 2018. Accordingly, the tax rate for Singlee Technology is 15% for the years ended 31 December 2017 and 2016.

According to the PRC Enterprise Income Tax Law, the applicable tax rate of Hangzhou Singlee Software Company Limited ("Singlee Software"), Beijing Singlee Yin Tong Information Technology Co., Ltd. ("Beijing Singlee") and Xin Yintong Technology Co., Ltd. ("Xin YinTong") is 25% for the years ended 31 December 2017 and 2016.

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits arising from Hong Kong during the years ended 31 December 2017 and 2016.

The tax (credit) charge for the year is reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017	2016
	RMB'000	*RMB'000*
Profit before tax	**14,200**	8,944
Tax charge at enterprise income tax rate at 15% (2016: 15%) *(Note)*	**2,130**	1,342
Tax effect of income not taxable for tax purpose	**(1,108)**	(606)
Tax effect of expenses not deductible for tax purpose	**1,657**	795
Under provision of tax in prior years	**345**	255
Tax effect of tax losses not recognised	**96**	130
Utilisation of tax losses previously not recognised	**(4,718)**	–
Tax (credit) charge for the year	**(1,598)**	1,916

Note: Applicable income tax rate of 15% (2016: 15%) represents the relevant income tax rate of Singlee Technology, the subsidiary of the Company which generates majority of the Group's assessable profit.

8. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting) the following items:

	2017	2016
	RMB'000	*RMB'000*
Salaries, wages and other staff benefits	**26,120**	18,765
Retirement benefits schemes contribution	**1,301**	1,124
Equity-settled share-based payment expenses	**2,589**	810
Total staff costs *(Note)*	**30,010**	20,699
Depreciation of property, plant and equipment	**789**	871
Amortisation of intangible assets	**513**	366
Auditor's remuneration	**811**	532
Research and development expenses recognised as expense – included in cost of sales	**6,054**	7,090
Recovery of trade receivables previously impaired	**(1,077)**	(440)
Cost of inventories recognised as an expense	**1,258**	3,880
Interest income	**(21)**	(12)
Government grants – value-added tax refunds	**(1,462)**	(1,593)
Waiver of other payables	**(26)**	–

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

9. EARNINGS PER SHARE

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

	2017	2016
	RMB'000	*RMB'000*
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**15,798**	7,028

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**864,430**	864,430
Effect of dilutive potential ordinary shares – Share options	**2,533**	3,571
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**866,963**	868,001

The computation of diluted earnings per share for the year ended 31 December 2017 does not assume the exercise of 2007 Option, 2010 January Option, 2010 August Option, 2011 February Option, 2015 May Option and 2017 April Option because the exercise prices of those options were higher than the average market prices for 2017.

The computation of diluted earnings per share for the year ended 31 December 2016 does not assume the exercise of 2007 Option, 2010 January Option, 2010 August Option, 2011 February Option and 2015 May Option because the exercise prices of those options were higher than the average market prices for 2016.

10. TRADE AND OTHER RECEIVABLES

	2017 *RMB'000*	2016 *RMB'000*
Trade receivables	**46,352**	37,301
Less: allowance for doubtful debts	**(581)**	(1,658)
	45,771	35,643
Other receivables and prepayments	**5,219**	5,740
	50,990	41,383

Other receivables and prepayments mainly include advance to staff for daily operation, rental and utility deposits and others.

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.

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

	2017 *RMB'000*	2016 *RMB'000*
0 – 120 days	**35,177**	29,014
121 – 180 days	**850**	242
181 – 365 days	**3,044**	1,079
Over 365 days	**6,700**	5,308
	45,771	35,643

Before accepting any new customer, the Group conducts investigation or research on the creditworthiness of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. The trade receivables which are neither past due nor impaired mainly comprise the receivables due from PRC state-owned and local commercial banks with good repayment history.

Included in the Group's trade receivables are debtors with the aggregate carrying amount of approximately RMB9,744,000 (2016: RMB6,387,000) which have been past due as at the end of the reporting period for which the Group has not provided for impairment losses. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired:

	2017	2016
	RMB'000	*RMB'000*
181 – 365 days	**3,044**	1,079
Over 365 days	**6,700**	5,308
	9,744	6,387

Movement in the allowance for doubtful debts

	2017	2016
	RMB'000	*RMB'000*
1 January	**1,658**	8,933
Impairment losses reversed	**(1,077)**	(440)
Amounts written off as uncollectible	**–**	(6,835)
31 December	**581**	1,658

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately RMB581,000 (2016: RMB1,658,000) of which the debtors were in financial difficulties.

As at 31 December 2016, trade and other receivables of approximately RMB55,000 (2017: Nil) were denominated in United States dollar ("US$").

11. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**4,521**	4,291
Deposits received from customers	**19**	87
Payroll payables	**3,146**	1,471
Other PRC tax payables	**2,306**	2,378
Other payables and accruals	**7,263**	4,753
Total	**17,255**	12,980

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

	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**2,957**	2,202
91 – 180 days	**187**	757
181 – 365 days	**683**	542
Over 365 days	**694**	790
	4,521	4,291

Trade and other payables of approximately RMB2,097,000 (2016: RMB806,000) were denominated in HK$.

DIVIDENDS

No dividends have been paid or declared by the Company during the year (2016: Nil).

BUSINESS REVIEW

Overall Business of the Group in 2017

The Group had recorded strong earnings for four consecutive years since 2014 and witnessed a robust growth of 443% in 2016. With the new strategy that focuses on a core business and two complementary products, the Group experienced significantly faster development in all aspects. The Group recorded total earnings of RMB15,798,000 in 2017, representing a year-on-year growth of 125%. The results highlighted the clearer and more focused strategy, which inevitably incurred higher costs.

Under the in-depth implementation of the new strategy, the revenue growth experienced by the banking capital products reflected the confidence of our clients and the more extensive product research and marketing effort. Meanwhile, the payment plus service product was basically aligned to the demand for new generation products and innovations. Upon consolidation of the two products, a much more rapid growth is expected than in previous years, forming a structural, rolling and networked business portfolio.

With the strong support from banks and third parties, the Group's payment methods became increasingly diversified. In particular, we took an important step towards the development of card-not-present (CNP) system. While the payment products have become mass products, China, being the biggest developing country with the largest population in the world, has seen numerous online and offline payment methods, reflecting the immense potential of the payment market. With our in-depth industry knowledge, business transformation and innovative mindset, market expansion remains the Group's primary goal. Meanwhile, in light of the structural reform in the broader economy and continuous market adjustment, the Group continued to expand the merchant service business and offline markets by deepening the value-added services, enhancing the service content and furthering cooperation with banks in initiating projects targeting merchants and cardholders. Formerly independent businesses were gradually consolidated, and banking outsourcing service products and payment products were integrated to form a business portfolio, where the payment plus service products were integral to the Group's development.

The State Council and the People's Bank continued to strengthen the development and supervision of banking capital products, resulting in a higher recognition of this niche market by the broader financial market over the last two years. The Group further deepened the cooperation in capital business with leading share-based and urban commercial banks, including the Bank of Beijing, Bank of Shanghai, Bank of Nanjing, China Zheshang Bank and Huishang Bank. The trend, which will become more obvious in the coming years, will gradually change the banking sector's capital system and the existing revenue model. Therefore, the Group devoted more efforts to the capital products to fully utilize our resources and those available in the market. We also expanded our market share rapidly so as to develop a more flexible business portfolio and support the other complementary product.

The normalised structural reform of China's financial market will present more opportunities and promote the growth of the market. In this case, the Group may fine-tune the output ratios and long-term development of our strategy to keep abreast of the market developments. We strive to enhance capital products and expand banking outsourcing service product mix to introduce new integrated payment concept to users through a dynamic business portfolio.

FUTURE OUTLOOK

As we further pursue the strategic goal, the business platform evolved from the Group's core operations and "Bank-School Express" remain our main sources of big data. With the help of these products, the Group will consolidate the big data, personal behavioral data and the online and offline businesses to form a unique OFFLINE TO ONLINE (O2O) model. We also plan to extend the collaborative model with banks to other commercial banks. Meanwhile, the business portfolio will be better aligned to the overall development of the financial environment.

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.

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").

Revenue of the Group comprises of:

For the year ended 31 December 2017 ("the financial year"), the Group recorded a total revenue of approximately RMB79,168,000, an increase of 23% as compared to the year ended 31 December 2016 (2016: approximately RMB64,557,000).

	Revenue	
	2017	2016
	RMB'000	*RMB'000*
Sales of software products	**12,525**	8,717
Sales of related hardware products	**4,174**	6,646
Provision of technical support services	**62,469**	49,194
	79,168	64,557

The increase in the turnover of the Group was mainly attributable to the increase of 27% in the revenue of the Group's provision of technical support services when compared to the same period of last year. The total revenue for the year 2017 mainly came from the provision of technical support services. The source of total revenue for the year 2017 was the same as that for the year of 2016.

Cost of sales for the year ended 31 December 2017 is increased by 21% to approximately RMB41,218,000 (2016: approximately RMB34,109,000). Cost of sales increased in line with business activities. Gross profit margin was 48% (2016: 47%) which remained stable. The Group has been implementing the strict cost control and making the best efforts to keep the current gross profit margin.

Administrative expenses for the year ended 31 December 2017 is increased by 45% to approximately RMB16,157,000 (2016: approximately RMB11,106,000). The increase in administrative expenses were mainly due to the increase in equity-settled share-based payment recognised which arising from the grant of share option in April 2017 and increase in staff cost. Distribution and selling expenses for the year ended 31 December 2017 is increased by 18% to approximately RMB10,768,000 (2016: approximately RMB9,162,000). The increase in distribution and selling expenses were mainly due to the increase in equity-settled share-based payment recognised which arising from the grant of share option in April 2017 and increase in open card service fee. Other income mainly included refund of value added tax, refund of personal income tax and interest income; and other gains and losses mainly included exchange differences and fair value changes in investment fund.

Research and development expenses for the year ended 31 December 2017 is decreased by 15% to approximately RMB6,054,000 (2016: approximately RMB7,090,000). The decrease in research and development expenses was mainly due to our effective cost control measures.

Finance costs for the year ended 31 December 2017 is increased by 107% to approximately RMB2,069,000 (2016: approximately RMB998,000). The significantly increase in finance costs were resulted from the increase in borrowings and certain loans from a director had been revised at higher interest rate in December 2016.

Profit for the year ended 31 December 2017 is increased by 125% to approximately RMB15,798,000 (2016: approximately RMB7,028,000). Increase in revenue and our effective cost control measures are the main factors leading to the profit increased.

During the year ended 31 December 2017, the Company recorded equity-settled share-based payment of approximately RMB5,508,000 (2016: approximately RMB810,000). The equity-settled share-based payment for the year ended 31 December 2017 was allocated between the cost of sales, distribution and selling expenses and administrative expenses amounted to RMB522,000, RMB580,000 and RMB4,406,000 respectively.

PRC enterprise income tax for the year ended 31 December 2017 is decreased by 82% to approximately RMB345,000 (2016: approximately RMB1,916,000). The decrease in income tax expenses was mainly due to no provision for PRC enterprise income tax has been made as the PRC subsidiaries had no estimated assessable profits during the year ended 31 December 2017. Hangzhou Singlee Technology Company Limited ("Singlee Technology"), a subsidiary of the Company, was established in Hangzhou, PRC, is regarded as a High and New Technology Enterprise and is therefore entitled to 15% preferential tax rate for PRC enterprise income tax. For the year ended 31 December 2017, a deferred tax of RMB1,943,000 has been recognised in respect of unused tax loss of RMB12,953,000.

For the year ended 31 December 2017, reversal of impairment on trade receivables amounted to approximately RMB1,077,000 (2016: approximately RMB440,000). The Group adopted legal and appropriate measures to collect debts and reduce loss through, amongst others, phone calls, facsimile, letters, visits, interviews, as well as legal actions as the final resort. The Group will also actively improve its receivables collection policy to enhance cash flows.

Property, plant and equipment comprise mainly the Group's buildings, leasehold improvements, computer and related equipment and motor vehicles. Increase of 78% is mainly attributable to the Group's further investments in the Building.

Intangible assets comprise mainly the Group's capitalised development costs. Increase of 223% is mainly attributable to the Group's further investments in the intangible assets.

Trade receivables increased in line with business activities during the fourth quarter of current year. During the year under review, the trade receivables turnover (the average of the trade receivables balance at the beginning and the end of the year divided by the total revenue of the year times 365 days) increased by 26 days to 187 days (2016: 161 days). The Group's customers are generally granted with credit period ranging from 120 – 180 days. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing the credit exposure.

Trade payables increased in line with more purchases activities during the fourth quarter of current year.

Borrowings amounted to approximately RMB64,964,000 as at 31 December 2017 (2016: approximately RMB56,082,000), representing an increase of 16%, which is mainly attributable to the increase in secured bank loans and unsecured director's loans during the year, partly offset by repayment of unsecured bank loans during the year. The borrowings would be used for general corporate purposes including working capital.

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 year.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

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

As at 31 December 2017, the Group held cash and cash equivalents denominated in RMB, US dollars and HK dollars, amounted to approximately RMB35,034,000 (2016: approximately RMB23,186,000). The Group's current ratio, based on total current assets over total current liabilities, as at 31 December 2017 was approximately 3 times (2016: approximately 3 times).

The Group's net cash inflow for the year ended 31 December 2017 approximately amounted to RMB11,848,000 (2016: approximately RMB4,285,000).

At 31 December 2017, the Group had the following outstanding borrowings:

	As at 31 December 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Fixed-rate borrowings:		
Unsecured loans from a director	**53,964**	50,090
Unsecured bank borrowings	**–**	4,000
Secured bank borrowings	**11,000**	–
	64,964	54,090
Variable-rate borrowings:		
Unsecured bank borrowings	**–**	1,992
	64,964	56,082

The borrowings' contractual maturity dates are as follows:

	As at 31 December 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Within one year	**13,492**	4,444
Between one to two years	**15,456**	4,026
Between two to five years	**8,084**	17,476
More than five years	**27,932**	30,136
	64,964	56,082

The loans from a director of approximately RMB41,774,000 (2016: RMB43,900,000) are denominated in HK dollars, other borrowings are denominated in the functional currency of the respective group entity.

During the year, the Group entered into two revolving loan facility agreements with a bank with a total credit amounts of RMB11,000,000 (2016: Nil). The maturity date of the two revolving loan facilities is on 25 June 2020 and 31 July 2020 respectively. These two revolving loan facilities were fully utilised as at 31 December 2017.

No interest was capitalised by the Group during the year (2016: Nil).

The gearing ratio of the Group, based on total liabilities over total assets, as at 31 December 2017 was approximately 77% (2016: approximately 96%). The gearing ratio improvement is the result of very disciplined and focused management over working capital. The Group remains confident that gearing ratio can further improve going forward.

CAPITAL STRUCTURE

During the year, there was no change to the share capital of the Company. As at 31 December 2017, the total number of issued ordinary shares of the Company was 864,430,000 shares (2016: 864,430,000 shares).

ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the year, except for Beijing Singlee Yin Tong Information Technology Co., Ltd, a wholly owned subsidiary of the Group, was deregistered in November 2017.

RISK MANAGEMENT

The Group has established and maintained sufficient risk management procedures to identify and control various types of risk within the organisation and the external environment with active management participation and effective internal control procedures in the best interest of the Group and its shareholders.

EMPLOYEE INFORMATION

As at 31 December 2017, the Group had 562 employees (2016: 357 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 RMB30,010,000 (2016: approximately RMB20,699,000).

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 2017, certain properties of the Group located in Hangzhou with an aggregate net carrying amount of approximately RMB11,086,000 were used to secure the banking facilities (2016: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDING

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

EXPOSURE TO EXCHANGE RATE FLUCTUATION

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

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any material contingent liabilities (2016: 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 2017 *RMB'000*	Year ended 31 December 2016 *RMB'000*	Year ended 31 December 2015 *RMB'000*	Year ended 31 December 2014 *RMB'000*	Year ended 31 December 2013 *RMB'000*
Revenue	**79,168**	64,557	55,819	48,908	33,364
Profit (loss) attributable to shareholders	**15,798**	7,028	1,294	571	(18,203)
Total assets	**107,905**	75,030	56,131	42,004	29,730
Total liabilities	**(82,555)**	(71,772)	(60,711)	(53,574)	(42,471)
Net assets (liabilities)	**25,350**	3,258	(4,580)	(11,570)	(12,741)

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 May 2018 to 11 May 2018, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the forthcoming annual general meeting to be held on 11 May 2018 (the "AGM"). In order to be eligible to attend and vote at the forthcoming AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on 4 May 2018.

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchases and sales for the year ended 31 December 2017 attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	51% (2016: 35%)
– five largest suppliers combined	74% (2016: 70%)
Sales	
– the largest customer	20% (2016: 27%)
– five largest customers combined	54% (2016: 66%)

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.

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 the GEM Listing Rules, has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has any other conflict of interests with the Group during year ended 31 December 2017.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the GEM Listing Rules.

CORPORATE GOVERNANCE PRACTICES

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the confidence of shareholders and the public. The Board strives to adhere to the principles of corporate governance and adopt sound corporate governance practices to meet the legal and commercial standards by focusing on areas such as internal control, fair disclosure and accountability to all shareholders.

Saved as disclosed below, the Company complied with the code provisions in Corporate Governance Code (the "Code") and Corporate Governance Report which set out in Appendix 15 in the GEM Listing Rules during the year ended 31 December 2017. The Company periodically reviews its corporate governance practices to ensure its continuous compliance.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions during the twelve months ended 31 December 2017 as set out in GEM Listing Rules 5.48 to 5.67. The Company has made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding the securities transactions by Directors.

Specific employees who are likely to be possession of unpublished price-sensitive information of the Group are also subject to compliance with the same Code of Conduct. No incident of non-compliance was noted by the Company for the year ended 31 December 2017.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2017 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte Touche Tohmatsu on the Preliminary Announcement.

AUDIT AND RISK MANAGEMENT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2017 have been reviewed by the Audit and risk management Committee before recommending it to the Board for approval.

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

Hong Kong, 21 March 2018

As at the date of this announcement, the Board Comprises of:

Hung Yung Lai *(Executive Director)*
Hung Ying *(Executive Director)*
Cui Jian *(Executive Director)*
Lin Xue Xin *(Executive Director)*
Pao Ping Wing *(Independent Non-Executive Director)*
Thomas Tam *(Independent Non-Executive Director)*
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 7 days from the date of its posting and will be published on the website of the Company (http://www.singlee.com.cn).