



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 2018

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, for which the directors of Sing Lee Software (Group) Limited (the “Company”) (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this 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 consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2018, together with the comparative figures for the corresponding periods in 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

(Expressed in Renminbi)

		2018	2017
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue			
– Goods and services	4	114,088	79,168
Cost of sales and services		(60,066)	(41,218)
Gross profit		54,022	37,950
Other income		2,063	2,535
Impairment losses, net of reversal on trade receivables and contract assets		(616)	1,077
Other gains and losses	6	(3,063)	1,632
Distribution and selling expenses		(11,505)	(10,768)
Administrative expenses		(13,730)	(16,157)
Finance costs	7	(1,832)	(2,069)
Profit before tax		25,339	14,200
Income tax (expense) credit	8	(3,136)	1,598
Profit and total comprehensive income for the year	9	22,203	15,798
Earnings per share	10		
– Basic (<i>RMB cents</i>)		2.54	1.83
– Diluted (<i>RMB cents</i>)		2.53	1.82

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 31 December 2018**(Expressed in Renminbi)*

		2018	2017
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current Assets			
Property, plant and equipment		13,092	13,366
Intangible assets		14,538	5,821
Deferred tax assets		1,696	1,943
		29,326	21,130
Current Assets			
Inventories		336	446
Trade and other receivables	11	75,882	50,990
Contract assets		1,129	—
Financial assets at fair value through profit or loss		237	305
Bank balances and cash		45,648	35,034
		123,232	86,775
Current Liabilities			
Trade and other payables	12	21,302	17,255
Amounts due to directors		536	325
Amount due to immediate holding company		12	11
Borrowings		28,131	13,492
		49,981	31,083
Net Current Assets		73,251	55,692
Total Assets less Current Liabilities		102,577	76,822

	<u>2018</u>	<u>2017</u>
<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital and Reserves		
Share capital	8,661	8,551
Reserves	<u>41,723</u>	<u>16,799</u>
Total Equity	<u>50,384</u>	<u>25,350</u>
Non-current Liabilities		
Deferred tax liabilities	2,889	—
Borrowings	<u>49,304</u>	<u>51,472</u>
	<u>52,193</u>	<u>51,472</u>
	<u><u>102,577</u></u>	<u><u>76,822</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital	Share premium	Statutory reserves	Shareholder's contribution	Translation reserve	Share options reserve	Accumulated losses	Total
	RMB'000	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000 (Note c)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	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
Lapsed/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
Profit and total comprehensive income for the year	–	–	–	–	–	–	22,203	22,203
Exercise of share options	110	2,837	–	–	–	(936)	–	2,011
Recognition of equity- settled share-based payments	–	–	–	–	–	820	–	820
At 31 December 2018	8,661	161,445	3,613	786	5,217	33,688	(163,026)	50,384

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 other reserves if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital account.
- (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

(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 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 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 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.

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

New and Amendments to IFRSs that are mandatorily effective for the current year

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

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC – Int 22	Foreign Currency Transactions and Advance Consideration
Amendment to IFRS 2	Classification and Measurement of Share-based Payment Transaction
Amendment to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendment to IAS 28	As part of Annual Improvements to IFRSs 2014 – 2016 Cycle
Amendment to IAS 40	Transfers of Investment Property

Except as described below, the application of the new and 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.

2.1 IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modification was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major source which arise from contracts with customers:

- Sales of software products
- Sales of related hardware products
- Provision of technical support services

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in notes 4 and 3 respectively.

Summary of effects arising from initial application of IFRS 15

There is no impact of transition to IFRS 15 on accumulated losses at 1 January 2018.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

		Carrying amounts previously reported at 31 December 2017 RMB'000	Reclassification RMB'000	Carrying amounts under IFRS 15 at 1 January 2018* RMB'000
	Note			
Current Assets				
Trade and other receivables	(a)	50,990	(1,788)	49,202
Contract assets	(a)	–	1,788	1,788

* The amounts in this column are before the adjustments from the application of IFRS 9.

Note (a): As at 1 January 2018, RMB1,788,000 previously included in trade and other receivables were reclassified to contract assets under IFRS 15.

The following tables summarise the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	<i>Note</i>	<i>As reported</i>	<i>Adjustments</i>	<i>Amounts without application of IFRS 15</i>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current Assets				
Trade and other receivables	(a)	75,882	1,129	77,011
Contract assets	(a)	1,129	(1,129)	–

Note (a): As at 31 December 2018, RMB1,129,000 were classified as contract assets under IFRS 15.

There is no impact of applying IFRS 15 on the Group's net cash from operating activities in consolidated statement of cash flows.

2.2 IFRS 9 Financial Instruments and the related amendments

In the current year, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial and contract assets and other items and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with transition provisions set out in IFRS 9, i.e. applied the classification and measurements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of IFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Held for trading investment	Contract assets	Financial assets at FVTPL required by IFRS 9	Financial assets at amortised cost (previously classified as loans and receivables)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Closing balance at 31 December 2017 – IAS 39	305	–	–	80,631
Effect arising from initial application of IFRS 15	–	1,788	–	(1,788)
Reclassification from held for trading investment	(305)	–	305	–
Opening balance at 1 January 2018	<u>–</u>	<u>1,788</u>	<u>305</u>	<u>78,843</u>

(a) Financial assets at fair value through profit or loss (“FVTPL”)

The Group has reassessed its investments in equity securities classified as held for trading under IAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, RMB305,000 of the Group’s investments were held for trading and continued to be measured at FVTPL.

(b) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL that uses a lifetime ECL for all trade receivables and contract assets. Except for those which had been determined as credit impaired under IAS 39, the remaining balances are grouped based on past due analysis. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the receivables and the contract assets on the same basis.

Except for those which had been determined as credit impaired under IAS 39, ECL for other financial assets at amortised cost, including other receivables, bank balances and cash are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, no additional credit loss allowance has been recognised against accumulated losses.

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017	IFRS 15	IFRS 9	1 January 2018
	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)			(Restated)
Held for trading investments	305	–	(305)	–
Financial assets at FVTPL	–	–	305	305
Trade and other receivables	50,990	(1,788)	–	49,202
Contract assets	–	1,788	–	1,788

New and amendments to IFRSs in issue but not yet effective

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

IFRS 16	Leases ¹
IFRS 17	Insurance Contracts ²
IFRIC – Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to IFRS 3	Definition of a Business ³
Amendments to IFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IAS 1 and IAS 8	Definition of Material ⁵
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to IFRSs	Annual Improvements to IFRSs 2015 – 2017 Cycle ¹
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for acquisition date on or after the beginning of the first annual period beginning on or after 1 January 2020

⁴ Effective for annual periods beginning on or after a date to be determined

⁵ Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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.

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 application of 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 by the Group.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depends on whether the Group presents right-to-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, 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 2018, the Group has non-cancellable operating lease commitments of approximately RMB1,669,000 (2017: RMB1,804,000). 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 approximately RMB181,000 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. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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 at the end of reporting period, 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 and services.

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.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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 from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2.1)

Under IFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (to specify), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration (to specify), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognises interest income during the period between the payment from customers and the transfer of the associated goods or services.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Revenue recognition (prior to 1 January 2018)

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

A. For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2018		
	Sales of software products	Sales of related hardware products	Provision of technical support services
	RMB'000	RMB'000	RMB'000
Sales of products	10,936	6,831	–
Provision of services:			
– Development and installation of bank transaction software	–	–	39,330
– Outsourcing financial services for bank customers	–	–	36,372
– Development, installation and maintenance of payment software system	–	–	20,619
Total	10,936	6,831	96,321
Geographical markets			
Mainland China	6,604	6,831	96,321
Taiwan	4,332	–	–
Total	10,936	6,831	96,321
Timing of revenue recognition			
A point in time	10,936	6,831	–
Over time	–	–	96,321
Total	10,936	6,831	96,321

(ii) Performance obligations for contracts with customers

Sales of software products with maintenance services (multiple performance obligations)

The maintenance service is considered to be a distinct service as it is both regularly supplied by the Group to other customers on a stand-alone basis and is available for customers from other providers in the market. Transaction price is allocated between sales of software products and the maintenance services on a relative stand-alone selling price basis. Revenue relating to the maintenance services is recognised over time and would be reclassified as part of provision of technical support services. The transaction price allocated to these services is recognised on a straight line basis over the period of service.

Sales of related hardware products (revenue recognised at one point in time)

The Group mainly sells related hardware products, e.g. POS machines to banks and high tech companies directly.

For sales of related hardware products, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to customers specific location. The normal credit term is 120 to 180 days upon delivery.

Provision of technical support services (revenue recognised over time)

The Group provides technical support services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these technical support services based on the stage of completion of the contract using input method. A contract asset, net of contract liability, is recognised over the period in which the technical support services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional. Retention receivables, are classified as contract assets, which ranges from one to two years from the date of the practical completion of the support services. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the technical support services performed comply with agreed upon specifications and such assurance cannot be purchased separately.

In some circumstances, the Group received the advance payment which considered containing significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the Group.

(iii) Transaction price allocated to the remaining performance obligations for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognising revenue are as follows:

	Provision of technical support services
	<u>RMB'000</u>
Within one year	6,941
More than one year but not more than two years	456
More than two years	<u>1,007</u>
	<u><u>8,404</u></u>

These amounts disclosed above do not include transaction price allocated to performance obligations which have been satisfied but not yet recognised due to variable consideration constraint.

All software installation services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

B. For the year ended 31 December 2017

An analysis of the Group's revenue for the year is as follows:

	Year ended 31 December 2017
	<i>RMB'000</i>
– Sales of software products	12,525
– Sales of related hardware products	4,174
– Provision of technical support services	62,469
	<u>79,168</u>

5. 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 revenue and results

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

For the year ended 31 December 2018

	Sales of software products	Sales of related hardware products	Provision of technical support services	Total
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
External sales and total revenue				
– segment revenue	<u>10,936</u>	<u>6,831</u>	<u>96,321</u>	<u>114,088</u>
SEGMENT RESULTS	<u>3,410</u>	<u>2,423</u>	<u>24,959</u>	30,792
Unallocated other income				2,063
Unallocated other gains and losses				(3,063)
Unallocated corporate expenses				(2,621)
Finance costs				<u>(1,832)</u>
Group's profit before tax				<u>25,339</u>

For the year ended 31 December 2017

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

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 earned by 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.

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Other segment information

	Sales of software products <u>RMB'000</u>	Sales of related hardware products <u>RMB'000</u>	Provision of technical support services <u>RMB'000</u>	Total <u>RMB'000</u>
For the year ended 31 December 2018				
Amounts included in the measure of segment results:				
Depreciation of property, plant and equipment	101	63	887	1,051
Amortisation of intangible assets	131	81	1,153	1,365
Impairment losses on trade receivables and contract assets recognised in profit or loss	67	42	593	702
Impairment losses on trade receivables and contract assets reversed in profit of loss	(8)	(5)	(73)	(86)
Share-based payment expenses (excluding expenses recognised in corporate expenses)	<u>29</u>	<u>18</u>	<u>256</u>	<u>303</u>
For the year ended 31 December 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
Impairment losses on trade receivables reversed in profit or loss	(170)	(57)	(850)	(1,077)
Share-based payment expenses (excluding expenses recognised in corporate expenses)	<u>322</u>	<u>107</u>	<u>1,605</u>	<u>2,034</u>

Geographical information

The Group's revenue from external customers is all generated from customers located in the Mainland China and Taiwan.

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, provision of technical support services of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	<u>2018</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	39,609	15,467
Customer B	N/A*	12,885

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6. OTHER GAINS AND LOSSES

	<u>2018</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Loss on fair value changes of financial assets at FVTPL	(82)	(362)
Exchange (loss) gain	(2,977)	2,304
Inventories written down	–	(294)
Loss on disposal of property, plant and equipment	–	(31)
Others	(4)	15
	<u>(3,063)</u>	<u>1,632</u>

7. FINANCE COSTS

	<u>2018</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank borrowings	566	344
Interest on loans from a director	1,266	1,725
	<u>1,832</u>	<u>2,069</u>

8. INCOME TAX EXPENSE(CREDIT)

	<u>2018</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>
PRC enterprise income tax ("EIT")		
– Current year	–	–
– Underprovision in prior years	–	345
	<u>–</u>	<u>345</u>
Deferred taxation		
– Current year	<u>3,136</u>	<u>(1,943)</u>
	<u>3,136</u>	<u>(1,598)</u>

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 the 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 2019. Accordingly, the tax rate for Singlee Technology is 15% for the years ended 31 December 2018 and 2017.

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 2018 and 2017.

No provision for PRC EIT during the years ended 31 December 2018 and 2017 as the assessable profits has been wholly absorbed by tax losses brought forward from previous years or some subsidiaries had no assessable profits.

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 2018 and 2017.

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

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	25,339	14,200
Tax charge at enterprise income tax rate at 15% (2017: 15%) (Note)	3,801	2,130
Tax effect of income not taxable for tax purpose	(1,762)	(1,108)
Tax effect of expenses not deductible for tax purpose	1,067	1,657
Underprovision in prior years	–	345
Tax effect of tax losses not recognised	731	96
Utilisation of tax losses previously not recognised	(588)	(4,718)
Others	(113)	–
Tax charge (credit) for the year	3,136	(1,598)

Note: Applicable income tax rate of 15% (2017: 15%) represents the relevant income tax rate of Singlee Technology, the subsidiary of the Company which generates majority of the Group's assessable profit.

9. PROFIT FOR THE YEAR

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

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other staff benefits	44,524	26,120
Retirement benefit schemes contributions	1,975	1,301
Equity-settled share-based payment expenses	385	2,589
Total staff costs (Note)	46,884	30,010
Depreciation of property, plant and equipment	1,051	789
Amortisation of intangible assets	1,365	513
Auditor's remuneration	1,125	811
Research and development costs recognised as an expense (included in cost of sales)	6,881	6,054
Impairment losses recognised on trade receivables and contract assets	702	–
Impairment losses reversal on trade receivables and contract assets	(86)	(1,077)
Cost of inventories recognised as an expense	2,423	1,258
Interest income	(33)	(21)
Government grants		
– value-added tax refunds	(1,552)	(1,462)
Waiver of other payables	–	(26)

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

10. EARNINGS PER SHARE

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

Earnings figures are calculated as follows:

	<u>2018</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>22,203</u>	<u>15,798</u>
	<u>2018</u>	<u>2017</u>
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	874,774	864,430
Effect of dilutive potential ordinary shares		
– Share options	<u>2,014</u>	<u>2,533</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>876,788</u>	<u>866,963</u>

The computation of diluted earnings per share for the years ended 31 December 2018 and 2017 does not assume the exercise of 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 both 2018 and 2017.

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the exercise of share options on 4 April 2018.

11. TRADE AND OTHER RECEIVABLES

	<u>2018</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
– goods and services	67,319	46,352
Less: allowance for credit losses	<u>(1,192)</u>	<u>(581)</u>
	66,127	45,771
Other receivables and prepayments	<u>9,755</u>	<u>5,219</u>
Total trade and other receivables	<u>75,882</u>	<u>50,990</u>

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to RMB66,127,000 and RMB43,983,000.

As at 31 December 2017, included in the trade receivables are retention amounts of RMB1,788,000, of which RMB137,000 are due after one year. Upon application of IFRS15, the retentions receivables were reclassified to contract assets.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice dates:

	<u>2018</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 120 days	43,261	35,177
121 – 180 days	271	850
181 – 365 days	4,886	3,044
Over 365 days	17,709	6,700
	<u>66,127</u>	<u>45,771</u>

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB22,595,000 which are past due as the reporting date. Out of the past due balances, RMB17,709,000 has been past due 365 days or more and is not considered as in default as there has not been a significant change in credit quality and the amounts are still considered fully recoverable.

As at 31 December 2017, included in the Group's trade receivables balance were debtors with aggregate carrying amount of approximately RMB9,744,000 which were past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered fully coverable. The Group does not hold any collateral over these balances.

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

	<u>2017</u>
	<i>RMB'000</i>
181 – 365 days	3,044
Over 365 days	6,700
	<u>9,744</u>

Movement in the allowance for doubtful debts

	2017
	<i>RMB'000</i>
1 January	1,658
Impairment losses reversed	(1,077)
31 December	<u>581</u>

At 31 December 2017, included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately RMB581,000 of which the debtors were in financial difficulties.

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

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in note to the consolidated financial statements.

12. TRADE AND OTHER PAYABLES

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	1,575	4,521
Payroll payables	4,558	3,146
Other PRC tax payables	2,179	2,306
Employee reimbursement payable	7,274	4,305
Accruals	178	178
Other payables	5,538	2,799
Total	<u>21,302</u>	<u>17,255</u>

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

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	380	2,957
91 – 180 days	3	187
181 – 365 days	57	683
Over 365 days	1,135	694
	<u>1,575</u>	<u>4,521</u>

Trade and other payables of approximately RMB807,000 (2017: RMB2,097,000) were denominated in HK\$.

13. EVENT AFTER THE REPORTING PERIOD

On 13 March 2019, the Company proposes to raise up to (i) approximately HK\$26.3 million (equivalent to approximately RMB22.5 million) before expenses by way of a rights issue of 439,080,000 shares (“Rights Shares”) at the subscription price of HK\$0.06 each and on the basis of one Rights Share for every two shares held by the qualifying shareholders or (ii) approximately HK\$31.9 million (equivalent to approximately RMB27.3 million) before expenses by way of a rights issue of 531,845,000 Rights Shares at the subscription price of HK\$0.06 each and on the basis of one Rights Share for every two shares held by the qualifying shareholders. The rights issue is not underwritten and will not be extended to the non-qualifying shareholder(s) (if any). The estimated net proceeds of the right issue, if fully subscribed, will be up to approximately HK\$24.5 million (equivalent to approximately RMB20.9 million) or approximately HK\$30.1 million (equivalent to approximately RMB25.7 million), respectively. The Company currently intends to use the net proceeds from the right issue for the Company’s general working capital purpose.

Further details of this transactions are set out in the Company’s announcement dated on 13 March 2019.

DIVIDENDS

No dividends have been paid or declared by the Company during the year (2017: Nil).

BUSINESS REVIEW

Overall Business of the Group in 2018

With the further development of the business strategy that focuses on a core business and two complementary products, the Group's earnings hit a record high. While the earnings increased by 443% in 2016 and achieved a year-on-year growth of 125% in 2017, earnings in 2018 saw a year-on-year increase of 41% at RMB22,203,000.

Driven by the normalised structural reform and the ongoing market correction of the financial market, the continuous growth of capital products revenue not only reflects customers' recognition of the Group's products, but also highlights the clear path of and our effort in product research, development and marketing. In the past year, with our industry-leading products, new products like data mart were well received by commercial banks in pilot cities, resulting in a more diversified offerings aligned with the new economic structure. Through further collaboration in capital business with leading domestic companies and city commercial banks, such as Bank of Beijing, Bank of Shanghai, Bank of Jiangsu, China Zheshang Bank and Huishang Bank, the Group established a sales model based on a mixed business portfolio.

Our long-term cooperation in payment plus service with banks has met the demand for new-generation products and innovation. Meanwhile, actively promoted by our partners, the payment methods supported by the Group became even more diversified, and the development of non-inductive payment method marked an important step. In 2018, all hotels under the Home Inns Group adopted this payment method. In light of the scale of the payment market, though new payment methods have emerged, the market still has immense growth potential. With our in-depth industry knowledge accumulated over 27 years, business transformation and innovative mindset, we will continue to expand the market.

On the other hand, the Group further expanded the offline market by deepening the value added services, strengthening service content and developing merchant service outsourcing. Previously serving only the Zhejiang branch of ICBC, the Group served various branches in 13 provinces in 2018. Based on this foundation, the Group started to cooperate with banks in initiating projects targeting merchants and cardholders, and consolidate the businesses, so that banking outsourcing service products and payment products were integrated to form a business portfolio.

Apart from products, the growing sales team was also crucial for the continuous growth of sales. After business consolidation, the Group witnessed a much higher growth than in previous years, resulting in a reasonable increase in costs.

The normalised structural reform of financial market in China will bring new opportunities and a bigger market. Therefore, the output ratio of the business strategy that focuses on a core business and two complementary products may be fine-tuned from time to time in the long run to adapt to the market changes. It is our strategy to strengthen our capital products and introduce the new payment concept to customers through our dynamic business portfolio while expanding the merchant service outsourcing business.

FUTURE OUTLOOK

As we further implement our strategy, the operational and maintenance platform and “Bank-School Express” evolved from traditional operations remain our main sources of big data. With the help of these products, the Group will consolidate the big data, behavioral big data, and the online and offline businesses to form a new 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 while pursuing further sales growth in order to achieve a win-win situation.

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 2018 (“the financial year”), the Group recorded a total revenue of approximately RMB114,088,000, an increase of 44% as compared to the year ended 31 December 2017 (2017: approximately RMB79,168,000).

	Revenue	
	2018	2017
	<i>RMB’000</i>	<i>RMB’000</i>
Sales of software products	10,936	12,525
Sales of related hardware products	6,831	4,174
Provision of technical support services	96,321	62,469
	<u>114,088</u>	<u>79,168</u>

The increase in the turnover of the Group was mainly attributable to the increase of 54% 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 2018 mainly came from the provision of technical support services. The source of total revenue for the year 2018 was the same as that for the year of 2017.

Cost of sales for the year ended 31 December 2018 is increased by 46% to approximately RMB60,066,000 (2017: approximately RMB41,218,000). Cost of sales increased in line with business activities. Gross profit margin was 47% (2017: 48%) 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 2018 is decreased by 15% to approximately RMB13,730,000 (2017: approximately RMB16,157,000). The decrease in administrative expenses were mainly due to the decrease in recognition of equity-settled share-based payment during the period when compared to the same period of last year. Distribution and selling expenses for the year ended 31 December 2018 is approximately RMB11,505,000 (2017: approximately RMB10,768,000), not much movement when compared to the same period of last year. Other income mainly included refund of value added 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 2018 is increased by 14% to approximately RMB6,881,000 (2017: approximately RMB6,054,000). The increase in research and development costs was mainly due to the Group allocated more resources on researching the new technology aiming at increasing our market share.

Finance costs for the year ended 31 December 2018 is approximately RMB1,832,000 (2017: approximately RMB2,069,000), not much movement when compared to the same period of last year.

Profit for the year ended 31 December 2018 is increased by 41% to approximately RMB22,203,000 (2017: approximately RMB15,798,000). Increase in revenue and our effective cost control measures are the main factors leading to the profit increased.

During the year ended 31 December 2018, the Company recorded equity-settled share-based payment of approximately RMB820,000 (2017: approximately RMB5,508,000). The equity-settled share-based payment for the year ended 31 December 2018 was allocated between the cost of sales, distribution and selling expenses and administrative expenses amounted to RMB78,000, RMB86,000 and RMB656,000 respectively.

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. No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits arising from Hong Kong for the year ended 31 December 2018 (2017: Nil). No provision for PRC EIT during the year ended 31 December 2018 and 2017 as the assessable profits has been wholly absorbed by tax losses brought forward from previous years or some subsidiaries had no assessable profits.

For the year ended 31 December 2018, reversal of impairment on trade receivables amounted to approximately RMB86,000 (2017: approximately RMB1,077,000). 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. Not much movement when compared to the same period of last year.

Intangible assets comprise mainly the Group’s capitalised development costs. Increase of 150% is mainly attributable to the Group’s further investments in the intangible assets.

Trade receivables and contract assets increased in line with business activities during the fourth quarter of current year. During the year under review, the trade receivables and contract assets turnover (the average of the trade receivables balance and contract assets at the beginning and the end of the year divided by the total revenue of the year times 365 days) decreased by 3 days to 184 days (2017: 187 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 trade receivables and contract assets and will continue to exercise due care in managing the credit exposure.

Borrowings amounted to approximately RMB77,435,000 as at 31 December 2018 (2017: approximately RMB64,964,000), representing an increase of 19%, which is mainly attributable to the increase in unsecured director’s loans during the year, partly offset by repayment of unsecured director’s loans. 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 2018, the Group held cash and cash equivalents denominated in RMB, US dollars and HK dollars, amounted to approximately RMB45,648,000 (2017: approximately RMB35,034,000). The Group's current ratio, based on total current assets over total current liabilities, as at 31 December 2018 was approximately 2 times (2017: approximately 3 times).

The Group's net cash inflow for the year ended 31 December 2018 approximately amounted to RMB10,614,000 (2017: approximately RMB11,848,000).

At 31 December 2018, the Group had the following outstanding borrowings:

	<u>2018</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Fixed-rate borrowings:		
Unsecured loans from a director	66,435	53,964
Secured bank borrowings	11,000	11,000
	<u>77,435</u>	<u>64,964</u>

The borrowings' contractual maturity dates are as follows:

	<u>2018</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	28,131	13,492
Between one to two years	5,157	15,456
Between two to five years	13,137	8,084
More than five years	31,010	27,932
	<u>77,435</u>	<u>64,964</u>

The loans from a director of approximately RMB51,995,000 (2017: RMB41,774,000) are denominated in HK dollars, other borrowings are denominated in the functional currency of the respective group entity.

During the year 2017, the Group entered into two revolving loan facility agreements with a bank with a total credit amounts of RMB11,000,000. 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 2018.

No interest was capitalised by the Group during the year (2017: Nil).

The gearing ratio of the Group, based on total liabilities over total assets, as at 31 December 2018 was approximately 67% (2017: approximately 77%). 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, our directors and option holders other than the directors of the Company exercised 2,545,000 and 11,185,000 share options respectively granted in April 2017. As at 31 December 2018, the total number of issued ordinary shares of the Company was 878,160,000 shares (2017: 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.

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 2018, the Group had 735 employees (2017: 562 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 RMB46,884,000 (2017: approximately RMB30,010,000).

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 2018, certain properties of the Group located in Hangzhou with an aggregate net carrying amount of approximately RMB10,539,000 (2017: approximately RMB11,086,000) were used to secure the banking facilities.

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 2018, the Group did not have any material contingent liabilities (2017: 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 2018	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	<u>114,088</u>	<u>79,168</u>	<u>64,557</u>	<u>55,819</u>	<u>48,908</u>
Profit attributable to shareholders	<u>22,203</u>	<u>15,798</u>	<u>7,028</u>	<u>1,294</u>	<u>571</u>
Total assets	152,558	107,905	75,030	56,131	42,004
Total liabilities	<u>(102,174)</u>	<u>(82,555)</u>	<u>(71,772)</u>	<u>(60,711)</u>	<u>(53,574)</u>
Net assets (liabilities)	<u>50,384</u>	<u>25,350</u>	<u>3,258</u>	<u>(4,580)</u>	<u>(11,570)</u>

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 8 May 2019 to 15 May 2019, 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 15 May 2019 (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 7 May 2019.

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchases and sales for the year ended 31 December 2018 attributable to the Group’s major suppliers and customers are as follows:

Purchases

– the largest supplier	59% (2017: 51%)
– five largest suppliers combined	73% (2017: 74%)

Sales

– the largest customer	35% (2017: 20%)
– five largest customers combined	62% (2017: 54%)

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 2018.

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.

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 2018. The Company periodically reviews its corporate governance practices to ensure its continuous compliance.

Code Provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and not be performed by the same individual. To ensure a balance of power and authority, for the current reporting year, the Chairman of the Board of the Company is Mr. Hung Yung Lai, the Chief Executive Officer of the Company is Lin Xue Xin. Mr. Hung Yung Lai and Mr. Lin Xue Xin are also Executive Directors of the Company.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors’ securities transactions during the twelve months ended 31 December 2018 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 2018.

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 2018 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 2018 have been reviewed by the Audit and Risk Management Committee therefore recommending it to the Board for approval.

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

Hong Kong, 20 March 2019

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

Hung Yung Lai (*Executive Director*)
Hung Ying (*Executive Director*)
Lin Xue Xin (*Executive Director*)
Cui Jian (*Executive Director*)
Pao Ping Wing (*Independent Non-Executive Director*)
Thomas Tam (*Independent Non-Executive Director*)
Lo King Man (*Independent Non-Executive Director*)

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>).