



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 2020

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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 2020, together with the comparative figures for the corresponding periods in 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

(Expressed in Renminbi)

	NOTES	2020 RMB'000	2019 RMB'000
Revenue	3	85,535	129,675
Cost of sales and services		<u>(78,776)</u>	<u>(74,622)</u>
Gross profit		6,759	55,053
Other income		2,576	3,425
Impairment losses under expected credit loss model, net of reversal on trade receivables and contract assets		(4,586)	720
Other losses	5	(8,596)	(973)
Distribution and selling expenses		(12,037)	(12,488)
Administrative expenses		(15,797)	(14,483)
Finance costs	6	<u>(2,226)</u>	<u>(2,360)</u>
(Loss)/profit before tax		(33,907)	28,894
Income tax credit/(expense)	7	<u>2,703</u>	<u>(3,890)</u>
(Loss)/profit and total comprehensive (expense)/ income for the year	8	<u>(31,204)</u>	<u>25,004</u>
(Loss)/earnings per share	9		
— Basic (RMB cents)		<u>(2.37)</u>	<u>2.10</u>
— Diluted (RMB cents)		<u>(2.37)</u>	<u>2.09</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

(Expressed in Renminbi)

	<i>NOTES</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Non-current Assets			
Property, plant and equipment		11,880	12,220
Right-of-use assets		761	879
Intangible assets		4,166	20,956
		16,807	34,055
Current Assets			
Inventories - finished goods		283	246
Trade and other receivables	<i>10</i>	38,197	79,561
Contract assets		583	2,261
Financial assets at fair value through profit or loss		170	181
Bank balances and cash		58,358	76,170
		97,591	158,419
Assets classified as held for sale	<i>11</i>	36,798	—
		134,389	158,419
Current Liabilities			
Trade and other payables	<i>12</i>	16,184	20,714
Amounts due to directors		648	783
Borrowings		20,668	12,243
Lease liabilities		439	459
Amount due to immediate holding company		11	12
Tax liabilities		—	139
		37,950	34,350
Liabilities associated with assets classified as held for sale	<i>11</i>	2,193	—
		40,143	34,350
Net Current Assets		94,246	124,069
Total Assets less Current Liabilities		111,053	158,124

	<i>NOTES</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Capital and Reserves			
Share capital		12,538	12,538
Reserves		53,210	84,414
Total Equity		65,748	96,952
Non-current Liabilities			
Deferred tax liabilities		2,169	4,944
Borrowings		43,121	56,228
Lease liabilities		15	—
		45,305	61,172
		111,053	158,124

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i> <i>(Note a)</i>	Statutory reserves <i>RMB'000</i> <i>(Note b)</i>	Shareholder's contribution <i>RMB'000</i> <i>(Note c)</i>	Translation reserve <i>RMB'000</i>	Share-based payments reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2019	8,661	161,445	3,613	786	5,217	33,688	(163,026)	50,384
Profit and total comprehensive income for the year	—	—	—	—	—	—	25,004	25,004
Shares issued (Note d)	3,877	19,387	—	—	—	—	—	23,264
Transaction costs attributable to shares issued (Note d)	—	(1,700)	—	—	—	—	—	(1,700)
Lapse of share options	—	—	—	—	—	(294)	294	—
At 31 December 2019	12,538	179,132	3,613	786	5,217	33,394	(137,728)	96,952
Loss and total comprehensive expense for the year	—	—	—	—	—	—	(31,204)	(31,204)
Lapse of share options	—	—	—	—	—	(2,403)	2,403	—
At 31 December 2020	12,538	179,132	3,613	786	5,217	30,991	(166,529)	65,748

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.
- (d) On 21 May 2019, the Company issued shares approximately HK\$26.3 million (equivalent to approximately RMB23.3 million) before expenses by way of a rights issue of 439,080,000 shares (“Rights Share”) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(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 addresses 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 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”)

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to IFRS 16 *Covid-19-Related Rent Concessions*.

Except as described below, the application of the *Amendments to References to the Conceptual Framework* in IFRS Standards and the amendments to IFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to IAS 1 and IAS 8 Definition of Material

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

Impacts on early application of Amendment to IFRS 16 Covid-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 *Leases* if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening retained profits at 1 January 2020. The Group has benefited from rent deduction on office premise on short-term leases. The application of the amendments in the current year had no impact on the consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to IFRS 3	Reference to the Conceptual Framework ²
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2 ⁴
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 1	Classification of Liabilities as Current or Non-current ¹
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2022

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

Except for the new and amendment to IFRSs mentioned, 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.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

- (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2020		
	Sales of software products <i>RMB'000</i>	Sales of related hardware products <i>RMB'000</i>	Provision of technical support services <i>RMB'000</i>
Sales of products	6,320	2,065	—
Provision of services:			
— Development and installation of bank transaction software	—	—	16,595
— Outsourcing financial services for bank customers	—	—	46,788
— Development, installation and maintenance of payment software system	—	—	13,767
Total	6,320	2,065	77,150
Geographical markets			
The PRC	6,320	2,065	77,150
Timing of revenue recognition			
A point in time	5,866	2,065	—
Over time	454	—	77,150
Total	6,320	2,065	77,150

	For the year ended 31 December 2019		
	Sales of software products <i>RMB'000</i>	Sales of related hardware products <i>RMB'000</i>	Provision of technical support services <i>RMB'000</i>
Sales of products	<u>15,484</u>	<u>8,723</u>	<u>—</u>
Provision of services:			
— Development and installation of bank transaction software	—	—	27,721
— Outsourcing financial services for bank customers	—	—	50,759
— Development, installation and maintenance of payment software system	<u>—</u>	<u>—</u>	<u>26,988</u>
Total	<u><u>15,484</u></u>	<u><u>8,723</u></u>	<u><u>105,468</u></u>
Geographical markets the PRC	<u>15,484</u>	<u>8,723</u>	<u>105,468</u>
Timing of revenue recognition			
A point in time	15,241	8,723	—
Over time	<u>243</u>	<u>—</u>	<u>105,468</u>
Total	<u><u>15,484</u></u>	<u><u>8,723</u></u>	<u><u>105,468</u></u>

(ii) Performance obligations for contracts with customers

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

The Group mainly sells software products, e.g. POS-MIS to banks and high-tech companies directly, and revenue is recognised at a point in time when control of software products has transferred, being when the software products have been delivered to customers' specific location and installed for use. In addition, the Group provided subsequent maintenance service after the installation, which 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 recognised as a separate performance obligation for provision of services and included as development, installation and maintenance of payment software system. 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 2020 and 2019 and the expected timing of recognising revenue are as follows:

	Provision of technical support services	
	2020	2019
	RMB'000	RMB'000
Within one year	1,341	1,724
More than one year but not more than two years	133	441
More than two years	108	899
	1,582	3,064

4. OPERATING SEGMENTS

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 2020

	Sales of software products RMB'000	Sales of related hardware products RMB'000	Provision of technical support services RMB'000	Total RMB'000
External sales and total revenue				
— segment revenue	<u>6,320</u>	<u>2,065</u>	<u>77,150</u>	<u>85,535</u>
SEGMENT RESULTS	<u>(8,751)</u>	<u>(1,112)</u>	<u>(21,289)</u>	<u>(31,152)</u>
Unallocated other income				2,576
Unallocated other losses				(693)
Unallocated corporate expenses				(2,412)
Finance costs				<u>(2,226)</u>
Group's loss before tax				<u><u>(33,907)</u></u>

For the year ended 31 December 2019

	Sales of software products RMB'000	Sales of related hardware products RMB'000	Provision of technical support services RMB'000	Total RMB'000
External sales and total revenue				
— segment revenue	<u>15,484</u>	<u>8,723</u>	<u>105,468</u>	<u>129,675</u>
SEGMENT RESULTS	<u>6,994</u>	<u>1,362</u>	<u>22,535</u>	<u>30,891</u>
Unallocated other income				3,425
Unallocated other losses				(973)
Unallocated corporate expenses				(2,089)
Finance costs				<u>(2,360)</u>
Group's profit before tax				<u><u>28,894</u></u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents the profit earned/loss incurred by each segment without allocation of finance costs, unallocated corporate expenses, other income and certain other 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 <i>RMB'000</i>	Sales of related hardware products <i>RMB'000</i>	Provision of technical support services <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2020				
Amounts included in the measure of segment results:				
Depreciation of property, plant and equipment	80	26	982	1,088
Depreciation of right-of-use assets	108	35	1,323	1,466
Amortisation of intangible assets	392	128	4,780	5,300
Impairment losses on trade receivables and contract assets recognised in profit or loss	938	307	3,556	4,801
Impairment losses on trade receivables and contract assets reversed in profit of loss	(16)	(5)	(194)	(215)
Loss from waiver of trade receivable	—	—	7,903	7,903

	Sales of software products <i>RMB'000</i>	Sales of related hardware products <i>RMB'000</i>	Provision of technical support services <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2019				
Amounts included in the measure of segment results:				
Depreciation of property, plant and equipment	138	78	941	1,157
Depreciation of right-of-use assets	102	58	697	857
Amortisation of intangible assets	416	234	2,835	3,485
Impairment losses on trade receivables and contract assets recognised in profit or loss	24	14	165	203
Impairment losses on trade receivables and contract assets reversed in profit or loss	<u>(110)</u>	<u>(62)</u>	<u>(751)</u>	<u>(923)</u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Customer A	41,204	68,058
Customer B	11,142	N/A *

* The corresponding customer did not constitute over 10% of total revenue of the Group in the respective year.

5. OTHER LOSSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Exchange loss	(666)	(895)
Loss on disposal of property, plant and equipment	(2)	(5)
Loss from waiver of trade receivable	(7,903)	—
Gain on fair value changes of financial assets at FVTPL	—	(59)
Others	(25)	(14)
	<u>(8,596)</u>	<u>(973)</u>

6. FINANCE COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on bank borrowings	638	563
Interest on loans from a director	1,558	1,772
Interest on lease liabilities	30	25
	<u>2,226</u>	<u>2,360</u>

7. INCOME TAX CREDIT (EXPENSE)

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
PRC enterprise income tax (“EIT”)		
— Current year	—	(139)
— Underprovision in respective prior years	(72)	—
	<u>(72)</u>	<u>(139)</u>
Deferred taxation		
— Current year	2,775	(3,751)
	<u>2,703</u>	<u>(3,890)</u>

8. (LOSS) PROFIT FOR THE YEAR

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Salaries, wages and other staff benefits	66,914	54,174
Retirement benefit schemes contributions	7,420	11,265
Total staff costs (Note 1)	<u>74,334</u>	<u>65,439</u>
Depreciation of property, plant and equipment	1,088	1,157
Depreciation of right-of-use assets	1,466	857
Amortisation of intangible assets	5,300	3,485
Auditor's remuneration	1,115	1,443
Research costs recognised as an expense (included in cost of sales)	9,388	1,742
Impairment losses recognised on trade receivables and contract assets	4,801	203
Impairment losses reversal on trade receivables and contract assets	(215)	(923)
Written-off of inventories	55	—
Cost of inventories recognised as an expense	1,539	6,219
Interest income	(486)	(494)
Government grants (Note 2)	<u>(1,652)</u>	<u>(2,614)</u>

Notes:

1. Directors' emoluments are included in the above staff costs.
2. During the current year, the Group recognised government grants approximately of RMB747,000 in respect of Covid-19-related subsidies from government authorities in relation for employment support in Hong Kong and the PRC. The remaining mainly represented cash received from unconditional grants by local government to encourage the business operations in the PRC.

9. (LOSS) EARNINGS PER SHARE

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

(Loss) earnings figures are calculated as follows:

	2020 RMB'000	2019 <i>RMB'000</i>
(Loss) profit for the year attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	<u>(31,204)</u>	<u>25,004</u>
	2020 '000	2019 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	1,317,240	1,191,973
Effect of dilutive potential ordinary shares		
— Share options	<u>—</u>	<u>1,491</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u>1,317,240</u>	<u>1,193,464</u>

The computation of diluted loss per share for year ended 31 December 2020 does not assume the exercise of the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share.

The computation of diluted (loss) earnings per share for the years ended 2019 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 2019.

10. TRADE AND OTHER RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables		
— contracts with customers	27,697	72,665
Less: allowance for credit losses	<u>(836)</u>	<u>(472)</u>
	<u>26,861</u>	<u>72,193</u>
Other receivables, prepayments and deposits		
Deposits paid to customers	4,429	3,459
Advances to staff	4,293	1,947
Other tax recoverable	120	702
Others	<u>2,494</u>	<u>1,260</u>
	<u>11,336</u>	<u>7,368</u>
Total trade and other receivables	<u><u>38,197</u></u>	<u><u>79,561</u></u>

The normal credit term is 120 to 180 days upon delivery or service provided.

As at 1 January 2019, trade receivables from contracts with customers amounted to approximately RMB67,319,000.

On 30 December 2020, trade receivables amount to approximately RMB25,308,000, net of allowance for credit loss of RMB489,000, has been reclassified as held for sale.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0–120 days	17,803	42,486
121–180 days	151	3,304
181–365 days	1,596	10,645
Over 365 days	<u>7,311</u>	<u>15,758</u>
	<u><u>26,861</u></u>	<u><u>72,193</u></u>

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB7,508,000 (2019: RMB21,081,000) which are past due 90 days or more as the reporting date and are not considered as in default as most of the debtors are banks with strong financial position and high credit ratings and the amounts are still considered fully recoverable.

11. DISPOSAL GROUP HELD FOR SALE

On 30 December 2020, the directors of the Company resolved to dispose of one of the Group's service lines under sales of software products and provision of technical support services, i.e. development and installation of bank transaction software, by the way of transferring certain assets and liabilities to a newly established subsidiary and transferring the equity interest of this subsidiary to external vendor (note 13). Negotiations with several interested parties have subsequently taken place. The assets and liabilities attributable to the service line, which is expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below). The service line is included in the Group's sales of software products and provision of technical support services for segment reporting purposes.

The major classes of assets and liabilities of the service line classified as held for sale are as follows:

	2020 <i>RMB'000</i>
Intangible assets	11,490
Trade receivable	25,797
Less: allowance for credit losses	(489)
Total assets classified as held for sale	36,798
Trade and other payable	2,193
Total liabilities classified as held for sale	2,193

12. TRADE AND OTHER PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables	2,355	3,305
Payroll payables	5,320	5,056
Other PRC tax payables	2,088	3,407
Employee reimbursement payable	5,287	4,963
Accruals	173	169
Others	961	3,814
Total	<u>16,184</u>	<u>20,714</u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 90 days	1,296	2,180
91–180 days	12	—
181–365 days	68	44
Over 365 days	979	1,081
	<u>2,355</u>	<u>3,305</u>

The range of credit period on purchases of goods is around 120 to 180 days.

13. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2020, Hangzhou Singlee Technology Company Limited (“Singlee Technology”), proposed to enter into the equity transfer agreement among Singlee Technology, Hangzhou Hengxin Lirong Software Company Limited (“Hangzhou HL”), an indirect wholly-owned subsidiary of the Company established on 20 January 2021, and an independent third party, pursuant to which the Singlee Technology would sell and the independent third party would purchase 100% of the issued share capital of Hangzhou HL. Upon completion, Hangzhou HL will cease to be a subsidiary of the Company and the financial results of Hangzhou HL will no longer be consolidated into the consolidated financial statements of the Company. Details of the disposal are set out in the Group’s announcement dated 12 March 2021.

BUSINESS REVIEW

Overall Business of the Group in 2020

Despite China's economic recovery, all industries and sectors have been severely affected as the global financial crisis continues to unfold in 2020. Since banks were forced to suspend their operations or postpone their plans for three to even six months except for the essential services, the Group's growth over the past five years was entirely wiped out. The substantial suspension of banking operations, and the further disruptions caused by the continuing cluster outbreaks in Heilongjiang, North China, Xinjiang and Qingdao have severely undermined the Group's development, and its business is still intermittent when it is already delayed. Therefore, the Group recorded a loss of RMB31,204,000 during the year (a profit of approximately RMB25,004,000 for the year of 2019) as the revenue for the year dropped by 34% compared with the same period last year while cost of sales and total expenses rose by 12%. Despite the extremely disappointing performance, the Group was able to maintain its finance through the challenging times by leveraging the strong record of payment collection in previous years, and by making further progress in the development of the strategy that focuses on a core business and two complementary products in line with the overall strategy.

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

Due to the epidemic, it gives many small and medium-sized banks a good opportunity to develop mobile banking and payment process. Meanwhile, it reminds the Group that relevant businesses must be developed to small and medium-sized banks in 2021.

The expansion of offline market and targeted development of merchant service business, thus, the bank outsourcing services has become one of the main development targets of the Group. Previously only served 2 provincial bank branches six years ago, the Group has served 15 provinces this year, including major economic provinces such as Zhejiang, Jiangsu. Due to the impact of the epidemic, the original offline promotion model gradually transferred to online and offline integration. The Group will further conduct the merchants-oriented operating project on a basis of “deepening the value-added services and strengthening cooperation with banks”, and gradually consolidate its originally separated businesses in strategic development, so that banking outsourcing service and payment products are integrated to form a business portfolio, which will become the core of future development.

Singlee has developed for nearly 30 years in China’s payment field and has witnessed the changes in China’s financial payment industry. The digital currency pilot led by the People’s Bank of China has been introduced to the market in 2020, and just like the Greater Bay Area representing the second wave of the domestic reform, digital currency is the second wave of financial currency reform, which will bring the Group good opportunities for development in the payment field. In view of the above, the Board of Directors decided to sell the unpromising capital product business that has not brought relatively profits to the Group in the past few years, the proceeds from which will be used for the overall development of payment and service outsourcing- the strategy that focuses on a core business and two complementary products.

FUTURE OUTLOOK

Payment + Outsourcing Services are still the core of Singlee, and the Merchants and Bank-School Platform evolved from traditional operations remain our main sources of big data. On this basis, the Group will form a new OFFLINE TO ONLINE (O2O) model with its own characteristics, and will also extend the collaborative model with banks to commercial banks at all levels. Meanwhile, the development of mixed business portfolio will be better aligned to the overall requirements of the financial environment.

The Group will continue to implement stringent cost control and strengthen the risk control in the overall and various businesses so as to achieve a sound cycle of “broadening sources of income and reducing expenses”.

USE OF PROCEEDS FROM RIGHTS ISSUE

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

The analysis of the planned and actual uses of the net proceeds from the rights issue as at 31 December 2020 is set out below:

	Intended use of proceeds <i>HK\$ million</i>	Balance as at 31 December 2019 <i>HK\$ million</i>	Amount actually utilised during the Reporting Period <i>HK\$ million</i>	Balance as at 31 December 2020 <i>HK\$ million</i>
General working capital	24.42	8.52	8.52	—

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 2020 ("the financial year"), the Group recorded a total revenue of approximately RMB85,535,000, a decrease of 34% as compared to the year ended 31 December 2019 (2019: approximately RMB129,675,000.).

	Revenue 2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Sales of software products	6,320	15,484
Sales of related hardware products	2,065	8,723
Provision of technical support services	77,150	105,468
	85,535	129,675

The decrease in the turnover of the Group was mainly attributable to the decrease 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 2020 mainly came from the provision of technical support services. The source of total revenue for the year 2020 was the same as that for the year of 2019.

Cost of sales for the year ended 31 December 2020 is increased by 6% to approximately RMB78,776,000 (2019: approximately RMB74,622,000). Cost of sales increased was mainly attributable to increase in staff cost. Gross profit margin was 8% (2019: 42%). The decrease of gross profit margin significantly was mainly due to decrease sharply in revenue from higher gross profit services provided and increase in direct staff cost.

Administrative expenses for the year ended 31 December 2020 is increased by 9% to approximately RMB15,797,000 (2019: approximately RMB14,483,000). The increase in administrative expenses was mainly attributable to increase in staff cost. Distribution and selling expenses for the year ended 31 December 2020 is approximately RMB12,037,000 (2019: approximately RMB12,488,000). Not much movement when compared to the same period of last year. Other income mainly included government grants and interest income; and other gains and losses mainly included exchange differences, loss from waiver of trade receivable and changes in financial assets at fair value through profit or loss.

Research and development costs expensed for the year ended 31 December 2020 is increased by 439% to approximately RMB9,388,000 (2019: approximately RMB1,742,000), mainly attributable to all costs incurred was expensed during the year. In 2019, the capitalised development costs was approximately RMB9,903,000.

Loss for the year ended 31 December 2020 is approximately RMB31,204,000 (2019: profit approximately RMB25,004,000). The turnaround from profit to loss was mainly attributable to a significant decrease in revenue due to the Covid-19 pandemic.

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. According to the PRC Enterprise Income Tax Law, the applicable tax rate of Hangzhou Singlee Software Company Limited ("Singlee Software") and Xin Yintong Technology Co., Ltd. ("Xin YinTong") is 25% for the years ended 31 December 2020 and 2019.

Property, plant and equipment comprise mainly the Group's owned properties, 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. Decrease of 25% is mainly attributable to no capitalisation of development costs during the year. (2019: approximately RMB9,903,000)

Trade receivables and contract assets decreased in line with business activities during the 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) increased by 81 days to 283 days (2019: 202 days). The Group's customers are generally granted with credit period ranging from 120–180 days. The Group will continue to exercise due care in managing the credit exposure.

Borrowings amounted to approximately RMB63,789,000 as at 31 December 2020 (2019: approximately RMB68,471,000), representing a decrease of 7%, which is mainly attributable to the 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 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 2020, the Group held cash and cash equivalents denominated in RMB, US dollars and HK dollars, amounted to approximately RMB58,358,000 (2019: approximately RMB76,170,000). The decrease on bank balances and cash was mainly due to decrease in collection of receivables. The Group's current ratio, based on total current assets over total current liabilities, as at 31 December 2020 was approximately 3 times (2019: approximately 5 times).

The Group's net cash outflow for the year ended 31 December 2020 approximately amounted to RMB17,812,000 (2019: net cash inflow approximately RMB30,522,000).

At 31 December 2020, the Group had the following outstanding borrowings:

	2020 RMB'000	2019 RMB'000
Fixed-rate borrowings:		
Unsecured loans from a director	44,789	57,471
Secured bank borrowings	15,000	11,000
Unsecured bank borrowings	4,000	—
	63,789	68,471

The borrowings' contractual maturity dates are as follows:

	2020	2019
	RMB'000	RMB'000
Within one year	20,668	12,243
Between one to two years	10,429	8,200
Between two to five years	1,460	15,586
More than five years	31,232	32,442
	63,789	68,471

The loans from a director of approximately RMB43,854,000 (2019: RMB52,158,000) are denominated in HK dollars, other borrowings are denominated in the functional currency of the respective group entity.

During the year 2020, the Group entered into two revolving loan facility agreements with a bank with a total credit amounts of RMB15,000,000. The maturity date of the two revolving loan facilities is on 6 July 2025 and 22 July 2025 respectively. These two revolving loan facilities were fully utilised as at 31 December 2020.

No interest was capitalised by the Group during the year (2019: nil).

The gearing ratio of the Group, based on total liabilities over total assets, as at 31 December 2020 was approximately 57% (2019: approximately 50%). The Group has confident that gearing ratio can improve in the coming year.

CAPITAL STRUCTURE

During the year ended 31 December 2020, 17,794,000 share options were lapsed and expired. During the year ended 31 December 2019, 439,080,000 rights shares were allotted and issued.

Save as disclosed above, the Company had no other changes in capital structure during the year ended 31 December 2020.

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 2020, the Group had 965 employees (2019: 850 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 RMB74,334,000 (2019: approximately RMB65,439,000).

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 2020, certain properties of the Group located in Hangzhou with an aggregate net carrying amount of approximately RMB9,448,000 (2019: approximately RMB9,992,000) 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 2020, the Group did not have any material contingent liabilities (2019: 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 2020 <i>RMB'000</i>	Year ended 31 December 2019 <i>RMB'000</i>	Year ended 31 December 2018 <i>RMB'000</i>	Year ended 31 December 2017 <i>RMB'000</i>	Year ended 31 December 2016 <i>RMB'000</i>
Revenue	85,535	129,675	114,088	79,168	64,557
Profit attributable to shareholders	(31,204)	25,004	22,203	15,798	7,028
Total assets	151,196	192,474	152,558	107,905	75,030
Total liabilities	(85,448)	(95,522)	(102,174)	(82,555)	(71,772)
Net assets	65,748	96,952	50,384	25,350	3,258

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 18 May 2021 to 26 May 2021, 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 26 May 2021 (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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong before 4:30 p.m. on 18 May 2021.

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchases and sales for the year ended 31 December 2020 attributable to the Group’s major suppliers and customers are as follows:

Purchases

— the largest supplier	27% (2018: 59%)
— five largest suppliers combined	46% (2018: 73%)

Sales

— the largest customer	48% (2018: 35%)
— five largest customers combined	76% (2018: 62%)

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 2020.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this announcement, 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 2020. The Company periodically reviews its corporate governance practices to ensure its continuous compliance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions during the twelve months ended 31 December 2020 as set out in GEM Listing Rules 5.48 to 5.67. The Company has made specific enquiry of all the Directors and the Company was not aware of any noncompliance 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 2020.

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 2020 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 2020 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, 24 March 2021

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>).