



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 2022

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 2022, together with the comparative figures for the corresponding periods in 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

(Expressed in Renminbi)

	NOTES	2022 RMB'000	2021 RMB'000
Revenue	3	84,949	94,408
Cost of sales and services		<u>(72,249)</u>	<u>(93,492)</u>
Gross profit		12,700	916
Other income		1,522	4,568
Impairment losses under expected credit loss model, net of reversal on trade receivables and contract assets		(3,081)	(3,019)
Impairment losses recognised intangible assets and property, plant and equipment		–	(3,368)
Other gains and losses	5	(2,185)	10,386
Distribution and selling expenses		(4,825)	(9,274)
Administrative expenses		(21,399)	(14,640)
Finance costs	6	<u>(1,113)</u>	<u>(1,506)</u>
Loss before tax		(18,381)	(15,937)
Income tax credit	7	<u>–</u>	<u>2,169</u>
Loss and total comprehensive expense for the year	8	<u>(18,381)</u>	<u>(13,768)</u>
Loss per share	9		
Basic (RMB cents)		<u>(1.40)</u>	<u>(1.05)</u>
Diluted (RMB cents)		<u>(1.40)</u>	<u>(1.05)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

(Expressed in Renminbi)

	NOTES	2022 RMB'000	2021 RMB'000
Non-current Assets			
Property, plant and equipment		9,525	10,491
Right-of-use assets		<u>238</u>	<u>444</u>
		<u>9,763</u>	<u>10,935</u>
Current Assets			
Inventories – finished goods		227	531
Trade and other receivables	10	30,147	42,881
Contract assets		598	596
Financial assets at fair value through profit or loss		179	163
Bank balances and cash		<u>54,896</u>	<u>44,976</u>
		<u>86,047</u>	<u>89,147</u>
Current Liabilities			
Trade and other payables	12	12,625	16,833
Amounts due to related parties		899	744
Borrowings		18,000	12,461
Lease liabilities		<u>47</u>	<u>157</u>
		<u>31,571</u>	<u>30,195</u>
Net Current Assets		<u>54,476</u>	<u>58,952</u>
Total Assets less Current Liabilities		<u><u>64,239</u></u>	<u><u>69,887</u></u>

	<i>NOTES</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Capital and Reserves			
Share capital		12,538	12,538
Reserves		26,916	39,442
		<hr/>	<hr/>
Total Equity		39,454	51,980
		<hr/>	<hr/>
Non-current Liability			
Borrowings		24,785	17,907
		<hr/>	<hr/>
		64,239	69,887
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital	Share premium	Statutory reserves	Shareholder's contribution	Translation reserve	Share-based payments reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note a)	(Note b)	(Note c)				
At 1 January 2021	12,538	179,132	3,613	786	5,217	30,991	(166,529)	65,748
Loss and total comprehensive expense for the year	-	-	-	-	-	-	(13,768)	(13,768)
Lapse of share options	-	-	-	-	-	(24,360)	24,360	-
At 31 December 2021	12,538	179,132	3,613	786	5,217	6,631	(155,937)	51,980
Loss and total comprehensive expense for the year	-	-	-	-	-	-	(18,381)	(18,381)
Lapse of share options	-	-	-	-	-	(320)	320	-
Equity-settled share-based payment	-	-	-	5,855	-	-	-	5,855
At 31 December 2022	12,538	179,132	3,613	6,641	5,217	6,311	(173,998)	39,454

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 at that time, waived the balance due to him of approximately RMB786,000. The amount has been capitalised as shareholder's contribution. On 6 July 2022, Goldcorp Industrial Limited ("Goldcorp Industrial"), an immediate holding company, transferred certain Company's shares to employees of the Group and such transfer was considered as a share-based payment transaction under IFRS 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 was Goldcorp Industrial, a company incorporated in the British Virgin Islands. Its ultimate controlling party was Mr. Hung Yung Lai, who was also the chairman and an executive director of the Company. During the year, due to the transactions set out in Note c in the consolidated statement of changes in equity, Goldcorp Industrial ceased to be the immediate holding company and Mr. Hung Yung Lai ceased to be ultimate controlling party. Since then, there has been no controlling party of the Company. Besides, Mr. Hung Yung Lai resigned as the chairman and an executive director of the Company with effect from 1 November 2022 and no longer assumed any management roles 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”) AND AGENDA DECISIONS OF THE IFRS INTERPRETATIONS COMMITTEE (THE “COMMITTEE”)

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) for the first time, which are mandatorily effective for the annual periods beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018 – 2020

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group’s financial 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 IFRSs Annual Improvements to HKFRSs 2018-2020

The Group has applied the amendments for the first time in the current year. The annual improvements make amendments to the following standards:

IFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the “10 per cent” test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged as at the date of initial application, 1 January 2022.

The Committee’s agenda decisions include explanatory material that explains how the applicable principles and requirements in IFRS Standards apply to the transaction or fact pattern described in the agenda decision. Explanatory material derives its authority from the applicable IFRS Standards, it is expected that reporting entities would be entitled sufficient time to implement any necessary accounting policy change, such change in accounting policy should be applied on retrospective basis.

IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

The application of the amendments in the current year has had no impact on the Group’s 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 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to IAS 1	Non-current Liabilities with Covenants ³
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 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

Except for the new and amendment 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.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the “2020 Amendments”)

The 2020 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:

- 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.
- 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 the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

Amendments to IAS 1 Non-current Liabilities with Covenants (the “2022 Amendments”)

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity’s right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 amendments also defer the effective date of the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group’s outstanding liabilities as at 31 December 2022, the application of the amendments will not result in reclassification of the Group’s liabilities.

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

IAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

Amendments to IAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2022			
	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>
Sales of products	<u>4,395</u>	<u>2,974</u>	<u>–</u>	<u>7,369</u>
Provision of services:				
– Outsourcing financial services for bank customers	–	–	66,719	66,719
– Development, installation and maintenance of payment software system	<u>–</u>	<u>–</u>	<u>10,861</u>	<u>10,861</u>
Total	<u><u>4,395</u></u>	<u><u>2,974</u></u>	<u><u>77,580</u></u>	<u><u>84,949</u></u>
Geographical markets				
The PRC	<u><u>4,395</u></u>	<u><u>2,974</u></u>	<u><u>77,580</u></u>	<u><u>84,949</u></u>
Timing of revenue recognition				
A point in time	3,268	2,974	–	6,242
Over time	<u>1,127</u>	<u>–</u>	<u>77,580</u>	<u>78,707</u>
Total	<u><u>4,395</u></u>	<u><u>2,974</u></u>	<u><u>77,580</u></u>	<u><u>84,949</u></u>

	For the year ended 31 December 2021			
	Sales of software products	Sales of related hardware products	Provision of technical support services	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of products	5,038	2,827	–	7,865
Provision of services:				
– Development and installation of bank transaction software	–	–	3,909	3,909
– Outsourcing financial services for bank customers	–	–	73,168	73,168
– Development, installation and maintenance of payment software system	–	–	9,466	9,466
Total	5,038	2,827	86,543	94,408
Geographical markets				
The PRC	5,038	2,827	86,543	94,408
Timing of revenue recognition				
A point in time	4,049	2,827	–	6,876
Over time	989	–	86,543	87,532
Total	5,038	2,827	86,543	94,408

(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. In addition, the Group provided subsequent maintenance service after the completion of services on development, installation and maintenance of payment software system, 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 technical support services 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. 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.

(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 2022 and 2021 and the expected timing of recognising revenue are as follows:

	Provision of technical support services	
	2022	2021
	RMB'000	RMB'000
Within one year	809	476
More than one year but not more than two years	188	79
More than two years	110	89
	1,107	644

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:

	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 2022				
External sales and total revenue				
– segment revenue	<u>4,395</u>	<u>2,974</u>	<u>77,580</u>	<u>84,949</u>
SEGMENT RESULTS	<u>(112)</u>	<u>(264)</u>	<u>(8,002)</u>	<u>(8,378)</u>
Unallocated other income				1,522
Unallocated other gains and losses				(2,185)
Unallocated corporate expenses				(8,227)
Finance costs				<u>(1,113)</u>
Group's loss before tax				<u>(18,381)</u>
For the year ended 31 December 2021				
External sales and total revenue				
– segment revenue	<u>5,038</u>	<u>2,827</u>	<u>86,543</u>	<u>94,408</u>
SEGMENT RESULTS	<u>(766)</u>	<u>(537)</u>	<u>(26,076)</u>	<u>(27,379)</u>
Unallocated other income				4,568
Unallocated other gains and losses				10,386
Unallocated corporate expenses				(2,006)
Finance costs				<u>(1,506)</u>
Group's loss before tax				<u>(15,937)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents the loss incurred 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 <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 2022				
Amounts included in the measure of segment results:				
Depreciation of property, plant and equipment	51	35	901	987
Depreciation of right-of-use assets	31	21	541	593
Impairment losses on trade receivables and contract assets recognised in profit or loss	165	112	2,923	3,200
Impairment losses on trade receivables and contract assets reversed in profit or loss	(6)	(4)	(109)	(119)
	<u>51</u>	<u>35</u>	<u>901</u>	<u>987</u>
For the year ended 31 December 2021				
Amounts included in the measure of segment results:				
Depreciation of property, plant and equipment	57	32	974	1,063
Depreciation of right-of-use assets	64	36	1,096	1,196
Amortisation of intangible assets	64	36	1,093	1,193
Impairment losses on trade receivables and contract assets recognised in profit or loss	187	105	3,208	3,500
Impairment losses on trade receivables and contract assets reversed in profit or loss	(26)	(14)	(441)	(481)
Impairment losses recognise on property plant and equipment	21	12	362	395
Impairment losses recognise on intangible assets	582	–	2,391	2,973
	<u>57</u>	<u>32</u>	<u>974</u>	<u>1,063</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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Customer A	64,132	62,662
Customer B	<u>13,210</u>	<u>14,351</u>

5. OTHER GAINS AND LOSSES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Net exchange (loss) gain	(1,659)	2,594
Loss on disposal of property, plant and equipment	(2)	(13)
Gain on disposal of a subsidiary (<i>Note 11</i>)	–	6,672
Fair value changes of financial assets at FVTPL	2	(3)
Others	<u>(526)</u>	<u>1,136</u>
	<u>(2,185)</u>	<u>10,386</u>

6. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on bank borrowings	582	760
Interest on loans from related parties	524	722
Interest on lease liabilities	<u>7</u>	<u>24</u>
	<u>1,113</u>	<u>1,506</u>

7. INCOME TAX CREDIT

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Deferred taxation		
– Current year	<u>–</u>	<u>2,169</u>

8. LOSS FOR THE YEAR

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

	2022	2021
	RMB'000	RMB'000
Salaries, wages and other staff benefits	62,916	71,005
Retirement benefit schemes contributions	11,508	13,597
Share-based payment expenses	5,855	–
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Total staff costs (<i>Note</i>)	80,279	84,602
	<hr/>	<hr/>
Depreciation of property, plant and equipment	987	1,063
Depreciation of right-of-use assets	593	1,196
Amortisation of intangible assets	–	1,193
Auditor's remuneration	1,495	1,324
Research costs recognised as an expense (included in cost of sales)	6,605	8,180
Impairment losses recognised on trade receivables and contract assets	3,200	3,500
Impairment losses reversal on trade receivables and contract assets	(119)	(481)
Impairment loss recognised on intangible assets	–	2,973
Impairment loss recognised on property, plant and equipment	–	395
Cost of inventories recognised as an expense	2,824	1,934
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Note: Directors' emoluments are included in the above staff costs.

9. LOSS PER SHARE

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

Loss figures are calculated as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(18,381)</u>	<u>(13,768)</u>

	2022 <i>'000</i>	2021 <i>'000</i>
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Number of shares

Number of ordinary shares for the purpose of basic/diluted loss per share

	<u>1,317,240</u>	<u>1,317,240</u>
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The computation of diluted loss per share for the year ended 31 December 2022 and 2021 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares.

10. TRADE AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables		
– contracts with customers	22,821	30,802
Less: allowance for credit losses	<u>(887)</u>	<u>(1,286)</u>
	<u>21,934</u>	<u>29,516</u>
Other receivables, prepayments and deposits		
Deposits paid to customers	3,831	5,350
Advances to staff	3,490	5,106
Other tax recoverable	100	120
Others	<u>792</u>	<u>2,789</u>
	<u>8,213</u>	<u>13,365</u>
Total trade and other receivables	<u><u>30,147</u></u>	<u><u>42,881</u></u>

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

As at 1 January 2021, trade receivables from contracts with customers amounted to approximately RMB27,697,000.

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 120 days	17,226	21,928
121 – 180 days	506	326
181 – 365 days	110	605
Over 365 days	4,092	6,657
	<u>21,934</u>	<u>29,516</u>

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB4,128,000 (2021: RMB6,710,000) 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 OF A SUBSIDIARY

On 26 March 2021, Singlee Technology entered into an equity transfer agreement (“Transfer Agreement”) with an independent third party (the “Acquirer”), pursuant to which Singlee Technology transferred 100% of the issued share capital of a subsidiary, Hangzhou Hengxin Lirong Software Company Limited (“Hangzhou HL”) to the Acquirer based on the assets and liabilities of Hangzhou HL as at 31 December 2020, for a consideration of RMB40,000,000. The transaction was completed on 24 May 2021 (the “Completion Date”). As part of the Transfer Agreement, for profit or loss earned/incurred by Hangzhou HL during the period between 1 January 2022 and the Completion Date, Singlee Technology and the Acquirer also agreed that it would be taken up by the Acquirer. During the period from 1 January 2021 to 24 May 2021, Hangzhou HL incurred a loss of RMB2,217,000 and such amount has been compensated by the Acquirer as an additional consideration.

2021
RMB'000

Consideration:

Consideration received	42,217
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Gain on disposal of a subsidiary:

Consideration received and receivable	42,217
Net assets disposed of	(34,605)
Transaction and related costs associated with the disposal	(940)

Gain on disposal	6,672
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Net cash inflow arising on disposal:

Cash consideration	42,217
Less: bank balances and cash disposed of	(193)

42,024

12. TRADE AND OTHER PAYABLES

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	1,823	3,803
Payroll payables	3,823	5,268
Other PRC tax payables	1,269	1,986
Employee reimbursement payable	2,467	2,805
Payables to Hangzhou HL	2,099	454
Accruals	197	1,946
Others	947	571
	<u>12,625</u>	<u>16,833</u>
Total	<u>12,625</u>	<u>16,833</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 90 days	466	2,790
91 – 180 days	483	169
181 – 365 days	26	63
Over 365 days	848	781
	<hr/> 1,823 <hr/>	<hr/> 3,803 <hr/>

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

Trade and other payables of approximately RMB814,000 (2021: RMB2,537,000) were denominated in HK\$.

DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

BUSINESS REVIEW

Overall Business of the Group in 2022

The economy of China continued to be hit hard by the pandemic in 2022 as all industries and sectors had to struggle against the tremendous pressure. Amidst this challenging environment, the Group managed to strengthen its operations during the year significantly by optimizing its organizational structure, streamlining the workforce, enhancing efficiency, fine-tuning the revenue structure, and boosting the marketing of high-output products.

Dragged by the pandemic, the Group's annual sales revenue for the year decreased by 10% compared to the same period last year, while the overall cost decreased by 18% compared to last year. The annual loss increased by 34% compared to the same period last year mainly due to the recognition of a share-based payment of RMB5,855,000 during the year.

Forecasting the end of the pandemic in 2023, the Group has made early preparation by developing a long-term strategy. It also made the important decision to replace the chairman of the Board and certain directors to optimize the Board's age structure. The new Board is now ready to lead the Group forward, and is expected to help the Group to scale new heights, bringing the founder's vision to life.

The Group's businesses, which are mostly offline services, were severely impacted in 2022 as the pandemic continued to rage the world. Therefore, the Group adopted various measures to minimise the impact on its operations, including (1) optimising the operational structure and suspending underperforming units to maintain business stability; (2) adopting remote deployment and cloud-based services to ensure business continuity in areas where on-site services were unavailable; (3) actively expanding its online product portfolio to help fight the pandemic; and (4) leveraging its service network to continuously introduce new merchant services.

FUTURE OUTLOOK

After selling its capital businesses, the Group will focus more on offering high-quality financial products and services, and will leverage the advantages that Hangzhou enjoys in the fintech area to support the business growth of its financial clients with its expertise, guided by the goal of product contextualisation and digitalisation.

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 2022 ("the financial year"), the Group recorded a total revenue of approximately RMB84,949,000, a decrease of 10% as compared to the same period of last year (2021: approximately RMB94,408,000).

	Revenue	
	2022	2021
	RMB'000	RMB'000
Sales of software products	4,395	5,038
Sales of related hardware products	2,974	2,827
Provision of technical support services	77,580	86,543
	84,949	94,408

The decrease in the turnover of the Group was mainly attributable to the decrease of 10% 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 2022 mainly came from the provision of technical support services. The source of total revenue for the year 2022 was the same as that for the year of 2021.

Cost of sales for the year ended 31 December 2022 is decreased by 23% to approximately RMB72,249,000 (2021: approximately RMB93,492,000). In addition to decrease in staff costs, cost of sales decreased in line with business activities. The Group's overall gross profit margin was approximately 15% (2021: approximately 1%).

Administrative expenses for the year ended 31 December 2022 is increased by 46% to approximately RMB21,399,000 (2021: approximately RMB14,640,000). The increase in administrative expenses was mainly due to recognition of share-based payment expenses amounted to approximately RMB5,855,000 during the year ended 31 December 2022 which was absent during the year ended 31 December 2021. Distribution and selling expenses for the year ended 31 December 2022 is decreased by 48% to approximately RMB4,825,000 (2021: approximately RMB9,274,000). The decrease in distribution and selling expenses was mainly due to our effective cost control measures. Other income mainly included refund of value added tax, grants and interest income; and other gains and losses mainly included exchange differences and fair value changes in financial assets at fair value through profit or loss.

Research and development expenses for the year ended 31 December 2022 is decreased by 19% to approximately RMB6,605,000 (2021: approximately RMB8,180,000). The decrease in research and development expenses was mainly due to the disposal of a subsidiary during the year of 2021. In 2021, the research and development expenses incurred by the disposed subsidiary were approximately RMB2,126,000.

Loss amounted to approximately RMB18,381,000 for the year ended 31 December 2022 (2021: approximately RMB13,768,000), increase of 34% as compared to the same period of last year. The increase in loss was mainly attributable to (i) the recognition of share-based payment expenses amounted to approximately RMB5,855,000 during the year ended 31 December 2022 which was absent during the year ended 31 December 2021 and (ii) decreased in revenue.

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 2022 and 2021.

Property, plant and equipment comprise mainly the Group’s owned properties, leasehold improvements, computer and related equipment and motor vehicles. Decrease of 9% is mainly attributable to usual depreciation.

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) decreased by 47 days to 118 days (2021: 165 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 RMB42,785,000 as at 31 December 2022 (2021: approximately RMB30,368,000), representing an increase of 41%, which is mainly attributable to the increase of unsecured borrowings. 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 2022, the Group held cash and cash equivalents denominated in RMB, US dollars and HK dollars, amounted to approximately RMB54,896,000 (2021: approximately RMB44,976,000), representing an increase of approximately 22% as compared with the end of previous year. The increase in bank balances and cash was mainly due to increase in collection of receivables. The Group's current ratio, based on total current assets over total current liabilities, as at 31 December 2022 was approximately 3 times (2021: approximately 3 times).

The Group's net cash inflow for the year ended 31 December 2022 approximately amounted to RMB9,920,000 (2021: net cash outflow approximately RMB13,382,000).

At 31 December 2022, the Group had the following outstanding borrowings:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Fixed-rate borrowings:		
Unsecured loans from related parties	24,785	18,368
Secured bank borrowings	9,000	9,000
Unsecured bank borrowings	9,000	3,000
	42,785	30,368

The borrowings' contractual maturity dates are as follows:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	18,000	12,461
Between two to five years	1,103	45
More than five years	23,682	17,862
	42,785	30,368

The Group's loans from related parties are all owing to Mr. Hung Yung Lai. The Group's loans from Mr. Hung Yung Lai of approximately RMB23,682,000 (2021: RMB17,862,000) 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 utilised amounted to RMB9,000,000 as at 31 December 2022. The unutilised facility would be utilised as the working capital.

No interest was capitalised by the Group during the year (2021: Nil).

The gearing ratio of the Group, based on total liabilities over total assets, as at 31 December 2022 was approximately 59% (2021: approximately 48%). The Group has confident that gearing ratio can improve in the coming year.

CAPITAL STRUCTURE

During the year ended 31 December 2022, 4,259,000 share options were lapsed. During the year ended 31 December 2021, 122,687,000 share options were lapsed and expired.

Save as disclosed above, the Company had no other changes in capital structure during the year ended 31 December 2022.

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 2022, the Group had 767 employees (2021: 1,008 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 RMB80,279,000 (2021: approximately RMB84,602,000).

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 2022, certain properties of the Group located in Hangzhou with an aggregate net carrying amount of approximately RMB8,354,000 (2021: approximately RMB8,901,000) 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 2022, the Group did not have any material contingent liabilities (2021: 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 2022 <i>RMB'000</i>	Year ended 31 December 2021 <i>RMB'000</i>	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>
Revenue	84,949	94,408	85,535	129,675	114,088
(Loss)/profit attributable to shareholders	<u>(18,381)</u>	<u>(13,768)</u>	<u>(31,204)</u>	<u>25,004</u>	<u>22,203</u>
Total assets	95,810	100,082	151,196	192,474	152,558
Total liabilities	<u>(56,356)</u>	<u>(48,102)</u>	<u>(85,448)</u>	<u>(95,522)</u>	<u>(102,174)</u>
Net assets	<u>39,454</u>	<u>51,980</u>	<u>65,748</u>	<u>96,952</u>	<u>50,384</u>

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 May 2023 to 31 May 2023, 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 31 May 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on 23 May 2023.

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchases and sales for the year ended 31 December 2022 attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	11% (2021: 6%)
– five largest suppliers combined	32% (2021: 26%)

Sales

– the largest customer	76% (2021: 71%)
– five largest customers combined	96% (2021: 96%)

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 2022.

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 has complied with all applicable code provisions of the Corporate Governance Code (“CG Code”) set out in Appendix 15 of the GEM Listing Rules in the year ended 31 December 2022 except for the deviation from the code provision C.2.1 of the CG Code.

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Subsequent to the resignation of Mr. Lin Xue Xin on 1 November 2022, no replacement of the post of the chief executive officer has been fixed up to the date of this report. The Board will keep reviewing the current structure from time to time. If candidate with suitable knowledge, skills and experience is identified, the Company will make appointment to fill the post of chief executive officer as appropriate.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors’ securities transactions during the twelve months ended 31 December 2022 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 2022.

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 2022 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 and consequently no opinion or assurance conclusion 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 2022 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
Lin Xue Xin
Chairman

Hong Kong, 22 March 2023

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

Lin Xue Xin (*Executive Director*)

Hung Ying (*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*)

The announcement will remain on the website of the Stock Exchange at <http://www.hkexnews.hk> on the “Latest Listed Company Information” 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>).