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 2021

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.

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 2021, together with the comparative figures for the corresponding periods in 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021
(Expressed in Renminbi)

	NOTES	**2021** *RMB'000*	2020 *RMB'000*
Revenue	3	**94,408**	85,535
Cost of sales and services		**(93,492)**	(78,776)
Gross profit		**916**	6,759
Other income		**4,568**	2,576
Impairment losses under expected credit loss model, net of reversal on trade receivables and contract assets		**(3,019)**	(4,586)
Impairment losses recognised intangible assets and property, plant and equipment		**(3,368)**	–
Other gains and losses	5	**10,386**	(8,596)
Distribution and selling expenses		**(9,274)**	(12,037)
Administrative expenses		**(14,640)**	(15,797)
Finance costs	6	**(1,506)**	(2,226)
Loss before tax		**(15,937)**	(33,907)
Income tax credit	7	**2,169**	2,703
Loss and total comprehensive expense for the year	8	**(13,768)**	(31,204)
Loss per share	9		
– Basic *(RMB cents)*		**(1.05)**	(2.37)
– Diluted *(RMB cents)*		**(1.05)**	(2.37)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

(Expressed in Renminbi)

	NOTES	2021 RMB'000	2020 RMB'000
Non-current Assets			
Property, plant and equipment		**10,491**	11,880
Right-of-use assets		**444**	761
Intangible assets		**–**	4,166
		10,935	16,807
Current Assets			
Inventories – finished goods		**531**	283
Trade and other receivables	10	**42,881**	38,197
Contract assets		**596**	583
Financial assets at fair value through profit or loss		**163**	170
Bank balances and cash		**44,976**	58,358
		89,147	97,591
Assets classified as held for sale	11	**–**	36,798
		89,147	134,389
Current Liabilities			
Trade and other payables	12	**16,833**	16,184
Amounts due to directors		**733**	648
Borrowings		**12,461**	20,668
Lease liabilities		**157**	439
Amount due to an immediate holding company		**11**	11
		30,195	37,950
Liabilities associated with assets classified as held for sale	11	**–**	2,193
		30,195	40,143
Net Current Assets		**58,952**	94,246
Total Assets less Current Liabilities		**69,887**	111,053

	NOTES	2021 RMB'000	2020 RMB'000
Capital and Reserves			
Share capital		**12,538**	12,538
Reserves		**39,442**	53,210
Total Equity		**51,980**	65,748
Non-current Liabilities			
Deferred tax liabilities		**–**	2,169
Borrowings		**17,907**	43,121
Lease liabilities		**–**	15
		17,907	45,305
		69,887	111,053

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital *RMB'000*	Share premium *RMB'000* *(Note a)*	Statutory reserves *RMB'000* *(Note b)*	Shareholder's contribution *RMB'000* *(Note c)*	Translation reserve *RMB'000*	Share-based payments reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2020	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**
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**

Notes:

(a) Under the Companies Act 1981 of Bermuda ("Companies Act"), share premium is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium and other reserves if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital account.

(b) As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the Company's PRC subsidiaries are required to maintain two statutory reserves, being an enterprise expansion fund and a statutory surplus reserve fund which are non-distributable. Appropriations to such reserves are made out of net profit after taxation reported in the statutory financial statements of the PRC subsidiaries while the amounts and allocation basis are decided by their respective boards of directors annually. The statutory surplus reserve fund can be used to make up their prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue. The enterprise expansion fund can be used for expanding the capital base of the PRC subsidiaries by means of capitalisation issue.

(c) On 30 September 2017, Mr. Hung Yung Lai, being the Chairman, executive director and controlling shareholder of the Company, waived the balance due to him of approximately RMB786,000. The amount has been capitalised as shareholder's contribution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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 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 or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to IFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021*.

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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 the agenda decision of the Committee – Cost necessary to sell inventories (IAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

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[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[1]
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 and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to IAS 8	Definition of Accounting Estimates[2]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 Effective for annual periods beginning on or after a date to be determined.

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

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*.

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments would not result in reclassification of the Group's liabilities.

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 2021			
	Sales of software products *RMB'000*	Sales of related hardware products *RMB'000*	Provision of technical support services *RMB'000*	Total *RMB'000*
Sales of products	**5,038**	**2,827**	**–**	**7,865**
Provision of services:				
– Development and installation of bank transaction software ("Bank Transaction Services")	**–**	**–**	**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**

	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*
Sales of products	6,320	2,065	–	8,385
Provision of services:				
– Bank Transaction Services	–	–	16,595	16,595
– Outsourcing financial services for bank customers	–	–	46,788	46,788
– Development, installation and maintenance of payment software system	–	–	13,767	13,767
Total	6,320	2,065	77,150	85,535
Geographical markets				
The PRC	6,320	2,065	77,150	85,535
Timing of revenue recognition				
A point in time	5,866	2,065	–	7,931
Over time	454	–	77,150	77,604
Total	6,320	2,065	77,150	85,535

(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. 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 Bank Transaction Services and 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.

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 2021 and 2020 and the expected timing of recognising revenue are as follows:

	Provision of technical support services	
	2021	2020
	RMB'000	*RMB'000*
Within one year	**476**	1,341
More than one year but not more than two years	**79**	133
More than two years	**89**	108
	644	1,582

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 2021

	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	**5,038**	**2,827**	**86,543**	**94,408**
SEGMENT RESULTS	**(766)**	**(537)**	**(26,076)**	**(27,379)**
Unallocated other income				**4,568**
Unallocated other gains and losses				**10,386**
Unallocated corporate expenses				**(2,006)**
Finance costs				**(1,506)**
Group's loss before tax				**(15,937)**

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	6,320	2,065	77,150	85,535
SEGMENT RESULTS	(8,751)	(1,112)	(21,289)	(31,152)
Unallocated other income				2,576
Unallocated other gains and losses				(693)
Unallocated corporate expenses				(2,412)
Finance costs				(2,226)
Group's loss before tax				(33,907)

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 certain 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 *RMB'000*	**Sales of related hardware products** *RMB'000*	**Provision of technical support services** *RMB'000*	**Total** *RMB'000*
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**

	Sales of software products *RMB'000*	Sales of related hardware products *RMB'000*	Provision of technical support services *RMB'000*	Total *RMB'000*
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 or loss	(16)	(5)	(194)	(215)
Loss from waiver of trade receivable	–	–	7,903	7,903

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:

	2021 ***RMB'000***	2020 *RMB'000*
Customer A	**62,662**	41,204
Customer B	**14,351**	11,142

5. OTHER GAINS AND LOSSES

	2021	2020
	RMB'000	*RMB'000*
Net exchange gain (loss)	**2,594**	(666)
Loss on disposal of property, plant and equipment	**(13)**	(2)
Loss from waiver of trade receivable *(Note)*	**–**	(7,903)
Gain on disposal of a subsidiary *(Note 11)*	**6,672**	–
Fair value changes of financial assets at FVTPL	**(3)**	–
Others	**1,136**	(25)
	10,386	(8,596)

Note: A service contract with a customer was terminated under mutual agreement and a loss from waiver of trade receivable arising from sales of software products and provision of technical support services of approximately RMB7,903,000 was recognised during year ended 31 December 2020.

6. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interest on bank borrowings	**760**	638
Interest on loans from a director	**722**	1,558
Interest on lease liabilities	**24**	30
	1,506	2,226

7. INCOME TAX CREDIT

	2021	2020
	RMB'000	*RMB'000*
PRC enterprise income tax ("EIT")		
– Underprovision in respective prior years	**–**	(72)
	–	(72)
Deferred taxation		
– Current year	**2,169**	2,775
	2,169	2,703

8. LOSS FOR THE YEAR

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

	2021	2020
	RMB'000	*RMB'000*
Salaries, wages and other staff benefits	**71,005**	66,914
Retirement benefit schemes contributions *(Note 1)*	**13,597**	7,420
Total staff costs *(Note 2)*	**84,602**	74,334
Fair value changes of the investment fund	**3**	–
Depreciation of property, plant and equipment	**1,063**	1,088
Depreciation of right-of-use assets	**1,196**	1,466
Amortisation of intangible assets	**1,193**	5,300
Auditor's remuneration	**1,324**	1,115
Research costs recognised as an expense (included in cost of sales)	**8,180**	9,388
Impairment losses recognised on trade receivables and contract assets	**3,500**	4,801
Impairment losses reversal on trade receivables and contract assets	**(481)**	(215)
Impairment loss recognised on intangible assets	**2,973**	–
Impairment loss recognised on property, plant and equipment	**395**	–
Written-off of inventories	**–**	55
Cost of inventories recognised as an expense	**1,934**	1,539

Notes:

1. For the year ended 31 December 2020, certain amount of retirement benefit scheme contributions from February to December 2020 was waived by the PRC government due to the COVID outbreak. No such waiver was received during the year ended 31 December 2021.

2. 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:

	2021	2020
	RMB'000	*RMB'000*
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(13,768)**	(31,204)

	2021	2020
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic/diluted loss per share	**1,317,240**	1,317,240

The computation of diluted loss per share for the year ended 31 December 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. 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.

10. TRADE AND OTHER RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables		
– contracts with customers	**30,802**	27,697
Less: allowance for credit losses	**(1,286)**	(836)
	29,516	26,861
Other receivables, prepayments and deposits		
Deposits paid to customers	**5,350**	4,429
Advances to staff	**5,106**	4,293
Other tax recoverable	**120**	120
Others	**2,789**	2,494
	13,365	11,336
Total trade and other receivables	**42,881**	38,197

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

As at 1 January 2020, trade receivables from contracts with customers amounted to approximately RMB72,665,000.

On 30 December 2020, trade receivables amount to approximately RMB25,308,000, net of allowance for credit loss of RMB489,000, had been reclassified as held for sale. Details of the assets/liabilities held for sale are set out in note 11.

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

	2021	2020
	RMB'000	*RMB'000*
0–120 days	**21,928**	17,803
121–180 days	**326**	151
181–365 days	**605**	1,596
Over 365 days	**6,657**	7,311
	29,516	26,861

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB6,710,000 (2020: RMB7,508,000) 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 AND DISPOSAL OF A SUBSIDIARY

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. Bank Transaction Services, by the way of transferring certain assets and liabilities to a newly established subsidiary, Hangzhou Hengxin Lirong Software Company Limited ("Hangzhou HL") and transferring the equity interest of this subsidiary to external vendor. 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 as at 31 December 2020 (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 were as follows:

	2020 *RMB'000*
Intangible assets	11,490
Trade receivables	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 associated with assets classified as held for sale	2,193

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 Hangzhou HL to the Acquirer based on the assets and liabilities of Hangzhou HL as at 31 December 2020, for a consideration of RMB 40,000,000. 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**
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**
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

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**3,803**	2,355
Payroll payables	**5,268**	5,320
Other PRC tax payables	**1,986**	2,088
Employee reimbursement payable	**2,805**	5,287
Accruals	**1,946**	173
Others	**1,025**	961
Total	**16,833**	16,184

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

	2021	2020
	RMB'000	*RMB'000*
Within 90 days	**2,790**	1,296
91–180 days	**169**	12
181–365 days	**63**	68
Over 365 days	**781**	979
	3,803	2,355

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

Trade and other payables of approximately RMB2,537,000 (2020: RMB1,059,000) were denominated in HK$.

DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

BUSINESS REVIEW

Overall Business of the Group in 2021

The pandemic continues to rage the world, and the global financial crisis triggered by the pandemic continues to unfold. Although China is gradually recovery, the extent of the impact on all industries and sectors is evident to all. As a result of the significant delay in the overall business of the bank last year in 2020, the relevant business units of the bank in the first half of this year have requested their suppliers to catch up with the work that was not completed last year, resulting in a significant increase in business development in the first half of the year compared to 2020. In the second half of the year, there were sporadic outbreaks in some provinces and cities, and the Group's business returned to a state of occasional interruptions from July onwards.

The rebound in the economy has led to an overall increase in workload. The Group's annual sales revenue for the year increased by 10% compared to the same period last year, while the overall cost increased by 10% compared to last year and the annual loss decreased by 56% compared to the same period last year. Despite the lack of profit, and the fact that it is still far from the net profit of RMB25,004,000 in 2019, the situation has improved significantly thanks to the efforts of our team. At the same time, we have achieved better results in product development ideas and re-development, and have been recognised by most of our bank customers, which is also a requirement for the overall strategic development of a core business and two complementary products.

Taking into account the direction of the future development of the general environment in Mainland China, in particular the trend of financial reform and localisation of all financial products in Mainland China, the Group has sold the Group's bank transaction service in order to achieve the goal of increasing capital, focusing investment, weathering the difficulties and making another breakthrough.

With the continuous progress of the strategic development direction of "New One and Two Wings", the gradual reopening and reconstruction of merchant branches, the post-pandemic shift in business model, and the increasing demand for online products from banks, the new payment form of Sing Lee Software has been given good opportunities for redevelopment, especially in the next few years when digital money will be developed and upgraded in all aspects, and the direction of research and development will tend to combine online and offline. Apart from the original payment products, the cloud version of MIS (payment software) was introduced to the market to meet the needs of the increasingly diversified payment process, involving overall aggregated payments, government-integrated payments (government industry process-based payments), smart hospitals and payments. Major projects include the Small and Micro Cloud Shop project collaborated by Sing Lee, CCB and Meituan, the "CCB Life" O2O platform, and the Upay payment system implemented in various hotel groups. At the same time, the Group has shifted its payment landscape from offline to online, such as working with banks and third parties to strengthen the overall process development. In addition, with state-owned banks' development diminishing, it has become increasingly important for payment products to go further to small and medium-sized banks and small merchants, and the results are beginning to show that they are well prepared for the development and upgrade of digital money in the coming years.

Outsource service business of bank merchants in a core business and two complementary products of the Group will cover 19 provincial branches in 13 provinces by the end of this year. These include ICBC, Agricultural Bank of China, CCB and Post and Reserve Bank, covering major economic provinces such as Zhejiang, Jiangsu, Guangdong and Sichuan, as well as provinces with policy advantages such as Northwest China, Xinjiang and Guizhou. The business has evolved from mainly maintaining hardware devices to a model of "building on the existing business and developing value-added services as the core". These value-added services are the core of the future merchant services, such as instalment loans for bank merchants, QR code development and other marketing services. At the same time, the direction and efficiency of merchant outsourcing services will be well aligned with the development of the payment business towards small merchants and the consumers. The pandemic has made the integration of online and offline marketing models the mainstream development direction in the future, and the Group will gradually withdraw from provincial lines that are unprofitable or have excessively low profits and no further development prospects next year. However, the service will insist on the development direction of "continuously expanding the offline market, reinforcing value-added services, strengthening cooperation with banks and developing merchant services business with precise objectives", gradually combining the original under-concentrated business in the strategic development, so that the combination of bank commercial outsourcing services and payment products will become the core of the Group's strategic development.

Meanwhile, Sing Lee has been developing the payment industry in China for nearly 30 years and has witnessed the changes and ups and downs of the financial payment industry in China, with the People's Bank of China taking the lead in introducing the digital money pilot to the market in 2020. Just as the development of the Greater Bay Area is the second wave of reform in China, digital money is the second wave of financial and monetary reform and one of the Group's key strategic developments for the future, giving the Group a great opportunity to redevelop the payment sector.

FUTURE OUTLOOK

Payment + Outsourcing Services are still the core of Sing Lee, and the services for small and medium-sized merchants and new payment process evolved from the Group's traditional operations will be our main sources of big data. On this basis, the Group will form a new OFFLINE TO ONLINE (O2O) model with its own characteristics. 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".

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 2021 ("the financial year"), the Group recorded a total revenue of approximately RMB94,408,000, an increase of 10% as compared to the same period of last year (2020: approximately RMB85,535,000).

	Revenue	
	2021	2020
	RMB'000	*RMB'000*
Sales of software products	**5,038**	6,320
Sales of related hardware products	**2,827**	2,065
Provision of technical support services	**86,543**	77,150
	94,408	85,535

The increase in the turnover of the Group was mainly attributable to the increase of 12% 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 2021 mainly came from the provision of technical support services. The source of total revenue for the year 2021 was the same as that for the year of 2020.

Cost of sales for the year ended 31 December 2021 is increased by 19% to approximately RMB93,492,000 (2020: approximately RMB78,776,000). Cost of sales increased was mainly attributable to increase in staff cost. The Group's overall gross profit margin was approximately 1% (2020: approximately 8%).

Administrative expenses for the year ended 31 December 2021 is decreased by 7% to approximately RMB14,640,000 (2020: approximately RMB15,797,000). The decrease in administrative expenses was mainly attributable to the disposal of a subsidiary during the year of 2021. Distribution and selling expenses for the year ended 31 December 2021 is decreased by 23% to approximately RMB9,274,000 (2020: approximately RMB12,037,000). The decrease in distribution and selling expenses was mainly due to our effective cost control measures and disposal of a subsidiary during the year of 2021. Other income mainly included refund of value added tax, grants and interest income; and other gains and losses mainly included exchange differences, fair value changes in financial assets at fair value through profit or loss and gain on disposal of a subsidiary.

Research and development expenses for the year ended 31 December 2021 is decreased by 13% to approximately RMB8,180,000 (2020: approximately RMB9,388,000). The decrease in research and development expenses was mainly due to the disposal of a subsidiary during the year of 2021.

Loss amounted to approximately RMB13,768,000 (2020: approximately RMB31,204,000), decrease of 56% as compared to the same period of last year, and such decrease in loss was mainly attributable to (i) increased in revenue and (ii) the gain on disposal of a subsidiary during the year ended 31 December 2021 which was absent during the year ended 31 December 2020.

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 2021 and 2020.

Property, plant and equipment comprise mainly the Group's owned properties, leasehold improvements, computer and related equipment and motor vehicles. Decrease of 12% is mainly attributable to impairment losses recognised in addition to usual depreciation.

Intangible assets comprise mainly the Group's capitalised development costs. Decrease of 100% is mainly attributable to the Group's disposal of a subsidiary during the year and impairment losses recognised in addition to usual amortization.

Trade receivables and contract assets decrease mainly attributable to the Group's disposal of a subsidiary 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 118 days to 165 days (2020: 283 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 RMB30,368,000 as at 31 December 2021 (2020: approximately RMB63,789,000), representing a decrease of 52%, which is mainly attributable to the repayment of unsecured director's loans and secured bank loans. The borrowings would be used for general corporate purposes including working capital.

We will continue striving our best to increase sales and strengthen our cost control measures. With the products of our Group becoming more mature in the market and the effective cost control, we expect that financial results of the Group would be further improved in the coming year.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

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

As at 31 December 2021, the Group held cash and cash equivalents denominated in RMB, US dollars and HK dollars, amounted to approximately RMB44,976,000 (2020: approximately RMB58,358,000), representing a decrease of approximately 23% as compared with the end of previous year, which was mainly due to repayment of borrowings. The Group's current ratio, based on total current assets over total current liabilities, as at 31 December 2021 was approximately 3 times (2020: approximately 3 times).

The Group's net cash outflow for the year ended 31 December 2021 approximately amounted to RMB13,382,000 (2020: approximately RMB17,812,000).

At 31 December 2021, the Group had the following outstanding borrowings:

	2021	2020
	RMB'000	*RMB'000*
Fixed-rate borrowings:		
Unsecured loans from a director	**18,368**	44,789
Secured bank borrowings	**9,000**	15,000
Unsecured bank borrowings	**3,000**	4,000
	30,368	63,789

The borrowings' contractual maturity dates are as follows:

	2021	2020
	RMB'000	*RMB'000*
Within one year	**12,461**	20,668
Between one to two years	**–**	10,429
Between two to five years	**45**	1,460
More than five years	**17,862**	31,232
	30,368	63,789

The loans from a director of approximately RMB17,862,000 (2020: RMB43,854,000) 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 2021. The unutilised facility would be utilised as the working capital.

No interest was capitalised by the Group during the year (2020: Nil).

The gearing ratio of the Group, based on total liabilities over total assets, as at 31 December 2021 was approximately 48% (2020: approximately 57%). The Group has confident that gearing ratio can improve in the coming year.

CAPITAL STRUCTURE

During the year ended 31 December 2021, 122,687,000 share options were lapsed and expired. During the year ended 31 December 2020, 17,794,000 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 2021.

ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Disposal of a subsidiary of the Company

On 26 March 2021, the Transferor (Hangzhou Singlee Technology Company Limited, an indirect wholly-owned subsidiary of the Company), the Transferee and Hangzhou Hengxin Lirong Software Company Limited ("Hangzhou HL", an indirect wholly-owned subsidiary of the Company established on 20 January 2021) entered into the equity transfer agreement, pursuant to which the Transferor has conditionally agreed to sell and the Transferee has conditionally agreed to purchase the entire equity interest in Hangzhou HL. The Group completed such disposal on 24 May 2021. For details, please refer to the relevant announcements and circular published by the Company on 26 March 2021, 5 May 2021 and 24 May 2021 respectively.

Save as disclosed in this announcement, the Company did not have any other significant acquisition and disposals of subsidiaries and affiliated companies for the year ended 31 December 2021.

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 2021, the Group had 1,008 employees (2020: 965 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 RMB84,602,000 (2020: approximately RMB74,334,000).

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 2021, certain properties of the Group located in Hangzhou with an aggregate net carrying amount of approximately RMB8,901,000 (2020: approximately RMB9,448,000) 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 2021, the Group did not have any material contingent liabilities (2020: 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 2021 *RMB'000*	Year ended 31 December 2020 *RMB'000*	Year ended 31 December 2019 *RMB'000*	Year ended 31 December 2018 *RMB'000*	Year ended 31 December 2017 *RMB'000*
Revenue	**94,408**	85,535	129,675	114,088	79,168
(Loss)/Profit attributable to shareholders	**(13,768)**	(31,204)	25,004	22,203	15,798
Total assets	**100,082**	151,196	192,474	152,558	107,905
Total liabilities	**(48,102)**	(85,448)	(95,522)	(102,174)	(82,555)
Net assets	**51,980**	65,748	96,952	50,384	25,350

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 19 May 2022 to 25 May 2022, 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 25 May 2022 (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 2022.

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchases and sales for the year ended 31 December 2021 attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	6% (2020: 27%)
– five largest suppliers combined	26% (2020: 46%)

Sales

– the largest customer	71% (2020: 48%)
– five largest customers combined	96% (2020: 76%)

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 2021.

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 2021. 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 2021 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 2021.

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 2021 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 2021 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, 23 March 2022

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).