



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 2016

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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange 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 the Growth Enterprise Market 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 purpose only

RESULTS

The Board of Directors (“Board”) of Sing Lee Software (Group) Limited (the “Company”) is pleased to announce the audited combined results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016, together with the comparative figures for the corresponding periods in 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

(Expressed in Renminbi)

	NOTES	2016 RMB'000	2015 RMB'000
Revenue	4	64,557	55,819
Cost of sales		<u>(34,109)</u>	<u>(29,223)</u>
Gross profit		30,448	26,596
Other income		1,625	867
Other gains and losses	5	(2,303)	(2,188)
Distribution and selling expenses		(9,162)	(8,564)
Administrative expenses		(11,106)	(12,707)
Reversal of (impairment loss) recognised on trade receivables, net		440	(501)
Finance costs	6	<u>(998)</u>	<u>(1,028)</u>
Profit before tax		8,944	2,475
Income tax expense	7	<u>(1,916)</u>	<u>(1,181)</u>
Profit and total comprehensive income for the year	8	<u>7,028</u>	<u>1,294</u>
Earnings per share			
– basic (RMB cents)	9	<u>0.81</u>	<u>0.15</u>
– diluted (RMB cents)	9	<u>0.81</u>	<u>0.15</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016
(Expressed in Renminbi)

	NOTES	2016 RMB'000	2015 RMB'000
Non-current Assets			
Property, plant and equipment		7,525	8,292
Intangible assets		1,802	2,168
		<u>9,327</u>	<u>10,460</u>
Current Assets			
Inventories		427	507
Trade and other receivables	10	41,383	25,573
Held for trading investments		707	690
Bank balances and cash		23,186	18,901
		<u>65,703</u>	<u>45,671</u>
Current Liabilities			
Trade and other payables	11	12,980	10,290
Amounts due to directors		1,037	902
Amount due to an immediate holding company		12	11
Tax payable		1,661	908
Borrowings		4,444	10,179
		<u>20,134</u>	<u>22,290</u>
Net Current Assets		<u>45,569</u>	<u>23,381</u>
Total assets less current liabilities		54,896	33,841
Non-current Liability			
Borrowings		51,638	38,421
Net Assets (Liabilities)		<u>3,258</u>	<u>(4,580)</u>
Capital and reserves			
Share capital		8,551	8,551
Reserves		(5,293)	(13,131)
Total Equity (Deficit on Shareholders' Equity)		<u>3,258</u>	<u>(4,580)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital RMB'000	Share premium RMB'000 (Note a)	Statutory reserves RMB'000 (Note b)	Translation reserve RMB'000	Share options reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2015	8,360	155,185	3,613	5,217	30,324	(214,269)	(11,570)
Profit and total comprehensive income for the year	-	-	-	-	-	1,294	1,294
Exercise of share options	191	3,423	-	-	(1,220)	-	2,394
Lapse of share options	-	-	-	-	(453)	453	-
Recognition of equity-settled share-based payments	-	-	-	-	3,302	-	3,302
At 31 December 2015	8,551	158,608	3,613	5,217	31,953	(212,522)	(4,580)
Profit and total comprehensive income for the year	-	-	-	-	-	7,028	7,028
Lapse of share options	-	-	-	-	(1,291)	1,291	-
Recognition of equity-settled share-based payments	-	-	-	-	810	-	810
At 31 December 2016	<u>8,551</u>	<u>158,608</u>	<u>3,613</u>	<u>5,217</u>	<u>31,472</u>	<u>(204,203)</u>	<u>3,258</u>

Notes:

- (a) Under the Companies Act 1981 of Bermuda (“Companies Act”), share premium is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium and capital reserve if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital account.
- (b) As stipulated by the relevant laws and regulations for foreign investment enterprises in the People’s Republic of China (the “PRC”), the Company’s PRC subsidiaries are required to maintain two statutory reserves, being an enterprise expansion fund and a statutory surplus reserve fund which are non-distributable. Appropriations to such reserves are made out of net profit after taxation reported in the statutory financial statements of the PRC subsidiaries while the amounts and allocation basis are decided by their respective boards of directors annually. The statutory surplus reserve fund can be used to make up their prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue. The enterprise expansion fund can be used for expanding the capital base of the PRC subsidiaries by means of capitalisation issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

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

The principal activities of the Company and its subsidiaries (collectively the “Group”) are development and sales of software products, sales of related hardware products and provision of technical support services. The principal activities of its subsidiaries are set out in note to the consolidated financial statements.

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

Application of amendments to IFRSs

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

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 Cycle

The application of the amendments to IFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised IFRSs issued but not yet effective

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

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers and the related amendments ¹
IFRS 16	Leases ²
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 7	Disclosure Initiative ⁴
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁴
Amendments to IAS 40	Transfers of Investment Property ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle ⁵

¹ *Effective for annual periods beginning on or after 1 January 2018*

² *Effective for annual periods beginning on or after 1 January 2019*

³ *Effective for annual periods beginning on or after a date to be determined*

⁴ *Effective for annual periods beginning on or after 1 January 2017*

⁵ *Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate*

IFRS 9 Financial Instruments

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

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

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

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

The directors of the Company anticipate that the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group undertakes a detailed review.

IFRS 15 Revenue from Contracts with Customers

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

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

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

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

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

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

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

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

The directors of the Company anticipates that the application of HKFRS 15 in the future has no material impact on the amounts reported and disclosures made in the Group's consolidated financial statements.

IFRS 16 Leases

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

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

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

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

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of approximately RMB1,075,000.

The directors of the Company do not expect that the adoption of IFRS 16 as compared with the current accounting policy would result in significant impact on the Group's result.

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group. Control is achieved when the Company:

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

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

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

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

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

Revenue recognition

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

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

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

Service income for provision of technical support is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4. REVENUE AND SEGMENT INFORMATION

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

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

1. Sales of software products
2. Sales of related hardware products
3. Provision of technical support services

Segment revenues and results

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

	Sales of software products <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>
2016				
External sales and total revenue				
– segment revenue	<u>8,717</u>	<u>6,646</u>	<u>49,194</u>	<u>64,557</u>
SEGMENT RESULTS	<u>1,867</u>	<u>870</u>	<u>9,111</u>	11,848
Unallocated other income				1,625
Unallocated other gains and losses				(2,303)
Unallocated corporate expenses				(1,228)
Finance costs				<u>(998)</u>
Profit before tax				<u>8,944</u>

	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>
2015				
External sales and total revenue				
– segment revenue	<u>8,494</u>	<u>4,321</u>	<u>43,004</u>	<u>55,819</u>
SEGMENT RESULTS	<u>935</u>	<u>476</u>	<u>4,737</u>	6,148
Unallocated other income				867
Unallocated other gains and losses				(2,188)
Unallocated corporate expenses				(1,324)
Finance costs				<u>(1,028)</u>
Profit before tax				<u>2,475</u>

The accounting policies of the operating segments are the same as the Group's accounting policies as described in note 3. Segment results represent the profit from each segment without allocation of directors' remuneration, finance costs, unallocated other expenses, other income and other gains and losses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment. No segment information on assets and liabilities is presented as such information is not regularly reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Other segment information

	Sales of software products RMB'000	Sales of related hardware products RMB'000	Provision of technical support services RMB'000	Total RMB'000
2016				
Amounts included in the measure of segment results:				
Depreciation of property, plant and equipment	117	90	664	871
Amortisation of intangible assets	49	37	280	366
Recovery of trade receivables previously impaired	(59)	(45)	(336)	(440)
Share-based payment expenses (excluding directors)	98	76	556	730

2015

Amounts included in the measure of segment results:

Depreciation of property, plant and equipment	162	82	816	1,060
Amortisation of intangible assets	5	2	25	32
Impairment loss recognised on trade receivables	299	151	1,512	1,962
Recovery of trade receivables previously impaired	(222)	(113)	(1,126)	(1,461)
Share-based payment expenses (excluding directors)	451	230	2,284	2,965

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

	2016 RMB'000	2015 RMB'000
Customer A	17,427	14,897
Customer B	13,694	6,775
Customer C	N/A ¹	5,938

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. OTHER GAINS AND LOSSES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Loss arising on change in fair value on financial assets classified as held for trading	22	49
Exchange loss	2,277	2,139
Loss on disposal of property, plant and equipment	4	–
	<u>2,303</u>	<u>2,188</u>

6. FINANCE COSTS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Interest on bank borrowing	299	306
Interest on loans from a director	699	722
	<u>998</u>	<u>1,028</u>

7. INCOME TAX EXPENSE

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
PRC enterprise income tax (“EIT”)		
– Current year	1,661	951
– Underprovision in prior years	255	230
	<u>1,916</u>	<u>1,181</u>

Hangzhou Singlee Technology Company Limited (“Singlee Technology”), a subsidiary of the Company, was established in Hangzhou, the PRC, with statutory tax rate of 25%. Singlee Technology is regarded as a High and New Technology Enterprise defined by Zhejiang Finance Bureau, Administrator of Local Taxation of Zhejiang Municipality and Zhejiang Municipal office of the State Administration of Taxation and is therefore entitled to 15% preferential tax rate for PRC EIT for three years starting from 2013. During the year ended 31 December 2016, it has been approved by Zhejiang Finance Bureau, Administrator of Local Taxation of Zhejiang Municipality and Zhejiang Municipal office of the State Administration of Taxation for extending three more years to 2018. Accordingly, the tax rate for Singlee Technology is 15% for the years ended 31 December 2016 and 2015.

According to the PRC Enterprise Income Tax Law, the applicable tax rate of Hangzhou Singlee Software Company Limited (“Singlee Software”), Beijing Singlee Yin Tong Information Technology Co., Ltd. (“Beijing Singlee”) and Xin Yintong Technology Co., Ltd. (“Xin YinTong”) is 25% for the years ended 31 December 2016 and 2015.

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits arising from Hong Kong during the years ended 31 December 2016 and 2015.

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

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	<u>8,944</u>	<u>2,475</u>
Tax charge at enterprise income tax rate at 15% (2015: 15%) (<i>Note</i>)	1,342	371
Tax effect of income not taxable for tax purpose	(606)	(780)
Tax effect of expenses not deductible for tax purpose	795	572
Effect of different tax rates of group entities	–	(795)
Underprovision of tax in prior years	255	230
Tax effect of tax losses not recognised	<u>130</u>	<u>1,583</u>
Tax charge for the year	<u>1,916</u>	<u>1,181</u>

Note: Applicable income tax rate of 15% (2015: 15%) represents the relevant income tax rate of Singlee Technology, the subsidiary of the Company which generates majority of the Group’s assessable profit.

At the end of the reporting period, the Group has unused tax losses of approximately RMB55,014,000 (2015: RMB74,659,000) available for offset against future profits. No deferred tax asset has been recognised in relation to the unused tax losses as it is not probable that taxable profits will be available against which the unused tax losses can be utilised.

The unused tax losses will expire in the following years:

	2016	2015
	RMB'000	RMB'000
2016	–	20,509
2017	14,908	14,908
2018	17,517	17,517
2019	14,871	14,871
2020	6,854	6,854
2021	864	–
	<u> </u>	<u> </u>
Total unused tax losses	<u>55,014</u>	<u>74,659</u>

8. PROFIT FOR THE YEAR

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

	2016	2015
	RMB'000	RMB'000
Salaries, wages and other staff benefits	18,765	21,124
Retirement benefits schemes contribution	1,124	1,070
Equity-settled share-based payment expenses	810	3,302
	<u> </u>	<u> </u>
Total staff costs (<i>Note</i>)	<u>20,699</u>	<u>25,496</u>
Depreciation of property, plant and equipment	871	1,060
Amortisation of intangible assets	366	32
Auditor's remuneration	532	478
Research and development expenses recognised as expense		
– included in cost of sales	7,090	8,423
Impairment loss recognised on trade receivables	–	1,962
Recovery of trade receivables previously impaired	(440)	(1,461)
Cost of inventories recognised as an expense	3,880	2,945
Interest income	(12)	(11)
Government grants		
– value-added tax refunds	(1,593)	(833)
	<u> </u>	<u> </u>

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

9. EARNINGS PER SHARE

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

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>7,028</u>	<u>1,294</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	864,430	852,677
Effect of dilutive potential ordinary shares – Share options	<u>3,571</u>	<u>21,274</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>868,001</u>	<u>873,951</u>

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

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

10. TRADE AND OTHER RECEIVABLES

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	37,301	30,583
<i>Less: allowance for doubtful debts</i>	<u>(1,658)</u>	<u>(8,933)</u>
	35,643	21,650
Other receivables	<u>5,740</u>	<u>3,923</u>
	<u>41,383</u>	<u>25,573</u>

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

Customers are generally granted with credit period ranging from 120 – 180 days. The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness, extend the credit period upon customer's request.

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

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 120 days	29,014	18,041
121 – 180 days	242	493
181 – 360 days	1,079	3,116
Over 1 year but less than 2 years	<u>5,308</u>	<u>–</u>
	<u>35,643</u>	<u>21,650</u>

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

Included in the Group's trade receivables are debtors with the aggregate carrying amount of approximately RMB6,387,000 (2015: RMB3,116,000) which have been past due as at the end of the reporting period for which the Group has not provided for impairment losses. The Group does not hold any collateral over these balances.

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

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
181 – 360 days	1,079	3,116
Over 1 year but less than 2 years	5,308	–
	<u>6,387</u>	<u>3,116</u>

Movement in the allowance for doubtful debts

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
1 January	8,933	8,432
Impairment losses recognised on receivables	–	1,962
Impairment losses reversed	(440)	(1,461)
Amounts written off as uncollectible	(6,835)	–
	<u>1,658</u>	<u>8,933</u>
31 December	<u>1,658</u>	<u>8,933</u>

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately RMB1,658,000 (2015: RMB8,933,000) of which the debtors were in financial difficulties.

Trade and other receivables of approximately RMB55,000 (2015: RMB52,000) were denominated in United States dollar (“US\$”).

11. TRADE AND OTHER PAYABLES

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	4,291	4,078
Deposits received from customers	87	358
Payroll payables	1,471	1,541
Other payables and accruals	7,131	4,313
	<u>12,980</u>	<u>10,290</u>
Total	<u>12,980</u>	<u>10,290</u>

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

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	2,202	1,965
91 – 180 days	757	509
181 – 365 days	542	847
Over 365 days	790	757
	<hr/>	<hr/>
	4,291	4,078
	<hr/> <hr/>	<hr/> <hr/>

Trade and other payables of approximately RMB806,000 (2015: RMB70,000) were denominated in HK\$.

DIVIDENDS

No dividends have been paid or declared by the Company during the year (2015: Nil).

BUSINESS REVIEW

Overall Business of the Group in 2016

In 2016, the Group exceeded the target and its profit was 543% of 2015. The outstanding performance mainly came from our three key products, including the “Bank-Business Express” (integrated payment products), banking capital products, and banking outsourcing service products, and was complemented by the “Bank-Hospital Express” and “Bank-School Express”.

The further deepening of structural reform in the financial market provided ample opportunities, particularly so as banks strengthened regulatory measures and third party payment institutions kept enhancing marketing efforts, leading to the significant reduction of input to the original payment business model by the four major joint-stock banks in the year. Nonetheless, the Group made prompt adjustments to the output ratios and long-term development of the three key products based on the strategy of “enhancing capital products and expanding banking outsourcing service product mix to introduce new integrated payment concept to users through a dynamic business portfolio”. Hence, its businesses and long-term development remained resilient to the market condition.

The implementation of the Bank Insolvency Act prompted the People’s Bank to strengthen its control over the risk control products of the sector and tighten the capital and risk control requirements of the banking industry. Expecting continuous enhancement and improvement of regulations in the coming years, the Group has strategically put more efforts into the key capital and risk control products, which led to substantial increase in market share.

Supported by the favourable population base, payment products have become channel-based products (mass products) that offer immense potential online and offline. Therefore, market expansion remains to be the Group’s priority despite lower profits. Driven by the structural reform in the broader economy and continuous market adjustment, the banking outsourcing service business has extended to nine provinces in 2016. While the Group continued to expand the offline markets and joined hands with various banks to initiate projects targeting merchants and cardholders, formerly independent businesses were gradually consolidated as they developed, and banking outsourcing service products and payment products were combined to form a business portfolio, which, together with the key capital and risk control products, transformed into a flexible business portfolio.

FUTURE OUTLOOK

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

Expenses of the Group continued to decline, the Group will continue to implement stringent cost control, and strengthen the risk control over the overall operations and individual businesses in order to achieve a virtuous circle of identifying new revenue streams and lowering the costs.

FINANCIAL REVIEW

The Group is principally engaged in the development and sales of information and network technologies and services to the financial industry in the People's Republic of China (the "PRC").

Revenue of the Group comprises of:

For the year ended 31 December 2016 ("the financial year"), the Group recorded a total revenue of approximately RMB64,557,000, an increase of 16% as compared to the year ended 31 December 2015 (2015: approximately RMB55,819,000).

	Revenue	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of software products	8,717	8,494
Sales of related hardware products	6,646	4,321
Provision of technical support services	49,194	43,004
	<u>64,557</u>	<u>55,819</u>

The increase in the turnover of the Group was mainly attributable to the increase of 14% 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 2016 mainly came from the provision of technical support services. The source of total revenue for the year 2016 was the same as that for the year of 2015.

Cost of sales for the year ended 31 December 2016 is increased by 17% to approximately RMB34,109,000 (2015: approximately RMB29,223,000). Cost of sales increased in line with business activities. The Group's gross profit margin was 47% (2015: 48%) which remained stable. The Group has been implementing the strict cost control and making the best efforts to keep the current gross profit margin.

Administrative expenses for the year ended 31 December 2016 is decreased by 13% to approximately RMB11,106,000 (2015: approximately RMB12,707,000). The decrease in administrative expenses was mainly due to decreased in share options expenses were recognised when compared to the same period of last year. Other administrative expenses do not have significant change due to our effective cost control measures. Distribution and selling expenses was approximately RMB9,162,000, not much movement when compared to the same period of last year (2015: approximately RMB8,564,000). Other income mainly included refund of value added tax, refund of personal income tax and interest income; and other gains and losses mainly included exchange differences and fair value changes in investment fund.

Research and development expenses for the year ended 31 December 2016 is decreased by 16% to approximately RMB7,090,000 (2015: approximately RMB8,423,000). The decrease in research and development expenses was mainly due to our effective cost control measures.

Finance costs for the year ended 31 December 2016 was approximately RMB998,000, not much movement when compared to the same period of last year (2015: approximately RMB1,028,000).

The Group recorded a profit of approximately RMB7,028,000 for the year ended 31 December 2016, represented a substantial improvement of the results of the Group as compared to the profit of approximately RMB1,294,000 for the year ended 31 December 2015. Increase in revenue and our effective cost control measures are the main factors leading to the profit increased.

During the year ended 31 December 2016, the Company recorded equity-settled share-based payment of approximately RMB810,000 (2015: approximately RMB3,302,000). The equity-settled share-based payment for the year ended 31 December 2016 was allocated between the cost of sales, distribution and selling expenses and administrative expenses amounted to RMB151,000, RMB129,000 and RMB530,000 respectively.

Income tax expense for the year ended 31 December 2016 is increased by 62% to approximately RMB1,916,000 (2015: approximately RMB1,181,000). Increase in profit before tax is the main factors leading to the income tax expense increased. 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.

As the Group implemented effective receivables management strategy and sound control system to prevent bad debts, it recorded no impairment loss on trade receivables for the year ended 31 December 2016 (2015: impairment loss on trade receivables amounted to approximately RMB1,962,000). For the year ended 31 December 2016, reversal of impairment on trade receivables amounted to approximately RMB440,000 (2015: approximately RMB1,461,000). The Group adopted legal and appropriate measures to collect debts and reduce loss through, amongst others, phone calls, facsimile, letters, visits, interviews, as well as legal actions as the final resort. The Group will also actively improve its receivables collection policy to enhance cash flows.

Property, plant and equipment comprise mainly the Group's buildings, leasehold improvements, computer and related equipment and motor vehicles. Decrease of 9% is mainly attributable to current year depreciation.

Intangible assets comprise mainly the Group's capitalized development costs. The development costs represents an online platform developed internally in prompting business of its business customers. Decrease of 17% is mainly attributable to current year amortization.

Trade receivables increased in line with business activities during the fourth quarter of current year. During the year under review, the trade receivables turnover (the average of the trade receivables balance at the beginning and the end of the year divided by the total revenue of the year times 365 days) increased by 37 days to 161 days (2015: 124 days). The Group's customers are generally granted with credit period ranging from 120 – 180 days. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing the credit exposure.

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

Borrowings amounted to approximately RMB56,082,000 as at 31 December 2016 (2015: approximately RMB48,600,000), representing an increase of 15%, which is mainly attributable to additional loans from bank and a director during the year. The borrowings would be used for general corporate purposes including working capital.

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

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The operating expenditures of the Group are funded by cash flow from operations, internal liquidity and loans from bank and a director. The Group has adequate sources of funds to meet its future working capital requirements.

As at 31 December 2016, the Group held cash and cash equivalents denominated in RMB, US dollars and HK dollars, amounted to approximately RMB23,186,000 (2015: approximately RMB18,901,000). The Group's current ratio, based on total current assets over total current liabilities, as at 31 December 2016 was approximately 3 times (2015: approximately 2 times).

As at 31 December 2016, the Group's loans from a director of approximately RMB50,090,000, which bear interest at 3.25%–3.5% per annum (2015: approximately RMB43,164,000, which bear interest rate of 0%–3.5% per annum). Loans from a director had fixed interest rate and were unsecured. Loans from a director approximately RMB43,900,000 (2015: RMB36,974,000) are denominated in HK dollars, others are denominated in the functional currency of the respective group entity.

As at 31 December 2016, the Group's bank borrowings amounted to approximately RMB5,992,000 (2015: approximately RMB5,436,000), of which approximately RMB4,000,000 (2015: approximately RMB3,000,000) were unsecured and interest bearing at 0.402% per month, and balances of approximately RMB1,992,000 (2015: approximately RMB2,436,000) were unsecured and interest bearing at Base Rate in the PRC plus 15%. Bank borrowings are denominated in the functional currency of the respective group entity.

No interest was capitalized by the Group during the year (2015: Nil).

The gearing ratio of the Group, based on total liabilities over total assets, as at 31 December 2016 was approximately 96% (2015: 108%). The gearing ratio improvement is the result of very disciplined and focused management over working capital. The Group remains confident that gearing ratio can further improve going forward.

CAPITAL STRUCTURE

During the year, there was no change to the share capital of the Company. As at 31 December 2016, the total number of issued ordinary shares of the Company was 864,430,000 shares (2015: 864,430,000 shares).

ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the year. In year 2015, the Group de-registered a sino-foreign equity joint ventures established in the PRC, Singlee Zhuhai.

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 2016, the Group had 357 employees (2015: 270 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 RMB20,699,000 (2015: approximately RMB25,496,000).

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 2016, the Group did not have any charges on group assets (2015: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDING

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

EXPOSURE TO EXCHANGE RATE FLUCTUATION

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

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any material contingent liabilities (2015: 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 2016 <i>RMB'000</i>	Year ended 31 December 2015 <i>RMB'000</i>	Year ended 31 December 2014 <i>RMB'000</i>	Year ended 31 December 2013 <i>RMB'000</i>	Year ended 31 December 2012 <i>RMB'000</i>
Revenue	<u>64,557</u>	<u>55,819</u>	<u>48,908</u>	<u>33,364</u>	<u>36,080</u>
Profit (loss) attributable to shareholders	<u>7,028</u>	<u>1,294</u>	<u>571</u>	<u>(18,203)</u>	<u>(11,334)</u>
Total assets	<u>75,030</u>	<u>56,131</u>	<u>42,004</u>	<u>29,730</u>	<u>44,736</u>
Total liabilities	<u>(71,772)</u>	<u>(60,711)</u>	<u>(53,574)</u>	<u>(42,471)</u>	<u>(44,002)</u>
Net assets (liabilities)	<u>3,258</u>	<u>(4,580)</u>	<u>(11,570)</u>	<u>(12,741)</u>	<u>734</u>

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 5 May 2017 to 11 May 2017, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the forthcoming annual general meeting to be held on 11 May 2017 (the “AGM”). In order to be eligible to attend and vote at the forthcoming AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s share registrar in Hong Kong, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong before 4:30 p.m. on 4 May 2017.

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchases and sales for the year ended 31 December 2016 attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	35% (2015: 24%)
– five largest suppliers combined	70% (2015: 40%)

Sales

– the largest customer	27% (2015: 27%)
– five largest customers combined	66% (2015: 60%)

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 2016.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE PRACTICES

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

Saved as disclosed below, the Company complied with the code provisions in Corporate Governance Code (the “Code”) and Corporate Governance Report which set out in Appendix 15 in the GEM Listing Rules during the year ended 31 December 2016. The Company periodically reviews its corporate governance practices to ensure its continuous compliance.

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Subsequent to the resignation of Mr. Chan Kam Fai, no replacement of the post of the chief executive officer has been fixed as at 31 December 2016. 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 2016 as set out in GEM Listing Rules 5.48 to 5.67. The Company has made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding the securities transactions by Directors.

Specific employees who are likely to be possession of unpublished price-sensitive information of the Group are also subject to compliance with the same Code of Conduct. No incident of non-compliance was noted by the Company for the year ended 31 December 2016.

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 2016 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte Touche Tohmatsu on the Preliminary Announcement.

AUDIT AND RISK MANAGEMENT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2016 have been reviewed by the Audit and risk management Committee before recommending it to the Board for approval.

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

Hong Kong, 22 March 2017

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

Hung Yung Lai (*Executive Director*)

Cui Jian (*Executive Director*)

Hung Ying (*Executive Director*)

Pao Ping Wing (*Independent Non-Executive Director*)

Thomas Tam (formerly known as Tam Kwok Hing) (*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>).