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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)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF 100% EQUITY INTEREST IN A SUBSIDIARY

Financial Adviser to the Company



中微證券
CHINA VÊRED SECURITIES

THE DISPOSAL

Reference is made to the announcement of the Company dated 12 March 2021 in relation to the possible disposal of the 100% equity interest in Hangzhou HL at the Consideration of RMB40,000,000 (equivalent to approximately HK\$48,000,000) in cash.

On 26 March 2021 (after trading hours), the Transferor, an indirect wholly-owned subsidiary of the Company, the Transferee and Hangzhou HL, entered into the Agreement, pursuant to which the Transferor has conditionally agreed to sell and the Transferee has conditionally agreed to purchase the Sale Shares, representing 100% of the issued share capital of Hangzhou HL at the Consideration of RMB40,000,000 (equivalent to approximately HK\$48,000,000) in cash.

Upon Completion, Hangzhou HL will cease to be a subsidiary of the Company and the financial results of Hangzhou HL will no longer be consolidated into the consolidated financial statements of the Company.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more of the relevant percentage ratios under the GEM Listing Rules in respect of the transactions contemplated under the Agreement exceed 25% but are below 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder.

A circular containing, among other information, (i) further details of the Agreement and the transactions contemplated thereunder; (ii) financial information of the Group; (iii) a notice convening the SGM; and (iv) other information as required under the GEM Listing Rules, is expected to be despatched on or before 21 April 2021.

Completion is conditional upon the satisfaction of the conditions set out in the section headed “Conditions precedent” in this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors in the Company should exercise caution when dealing in the securities of the Company.

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Upon Completion, Hangzhou HL will cease to be a subsidiary of the Company and the financial results of Hangzhou HL will no longer be consolidated into the consolidated financial statements of the Company.

THE AGREEMENT

The principal terms of the Agreement are set out below:

- Date:** 26 March 2021 (after trading hours)
- Parties:**
- (a) 杭州新利科技有限公司 (Hangzhou Singlee Technology Company Limited*), being the Transferor;
 - (b) 恒生電子股份有限公司 (Hundsun Technologies Inc.*), being the Transferee; and
 - (c) Hangzhou HL.
- (collectively, “**Parties**” and each a “**Party**”).

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, the Transferee is a company established under the laws of the PRC whose shares are listed on the Main Board of the Shanghai Stock Exchange (stock code: 600570) and as at the date of this announcement, the Transferee and its ultimate beneficial owners are Independent Third Parties.

Assets to be disposed of

The Sale Shares shall be acquired by the Transferee free from all encumbrances as at the Completion Date.

Consideration

Pursuant to the terms of the Agreement, the total Consideration is RMB40,000,000 (equivalent to approximately HK\$48,000,000), which shall be paid by the Transferee to the Transferor in the following manner:

- (a) the first installment of the Consideration of RMB20,000,000 (equivalent to approximately HK\$24,000,000) shall be paid by the Transferee to a designated bank account of the Transferor on Completion Date; and
- (b) the second installment of the Consideration of RMB20,000,000 (equivalent to approximately HK\$24,000,000), shall be paid by the Transferee to a designated bank account of the Transferor within 5 business days upon the completion of the relevant registration/ procedures related to the transfer of the Sale Shares, and Hangzhou HL or the Transferor provided the Transferee with a scanned copy or a photocopy of the document(s) issued by the relevant registration authority which evident such changes.

The Consideration was determined after arm's length negotiations between the Transferor and the Transferee, with reference to (i) the historical financial performance of the Transferor in the business of the provision of service for the development and installation of bank transaction software and sales of relevant software products (the "**Relevant Business Line**"); (ii) the result of the valuation of the 100% equity interest in Hangzhou HL of approximately RMB28 million (equivalent to approximately HK\$33.6 million) as at 31 December 2020 (the "**Valuation**") as appraised by the Valuer, adopting income approach; and (iii) the information set out under the section headed "REASONS FOR AND BENEFITS OF THE DISPOSAL AND THE INTENDED USE OF PROCEEDS" below. The Directors consider that the Consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Conditions precedent

Completion shall be conditional upon and subject to the fulfilment and satisfaction of the following conditions precedent:

- (1) as of the Completion Date, the Transferor had subscribed for the registered capital of Hangzhou HL, the subscription price of which have been fully satisfied by cash payment and capital injection to Hangzhou HL. The registered capital of Hangzhou HL for its industrial and commercial registration shall be RMB20,000,000 and Hangzhou HL or the Transferor has provided the evidence of the aforementioned changes;
- (2) the representations and warranties made by Hangzhou HL and the Transferor to the Transferee shall be true, accurate and complete, and having the same force and effect as those made on the Completion Date; any undertaking and commitment undertaken by the Hangzhou HL and/or Transferor which shall be performed/having been duly performed by the Hangzhou HL and/or Transferor on or before the Completion Date;
- (3) as of the Completion Date, there being no laws or judgments, rulings, decision, injunctions or orders issued by government authority(ies) restricting, prohibiting or canceling the transaction contemplated under the Agreement, and there being no any pending lawsuits, arbitrations, judgments, rulings, injunctions or orders that have or will have an adverse impact on the same;
- (4) all regulatory approvals required to be obtained/having been obtained by the Transferor and Hangzhou HL are on the terms reasonably and satisfactorily to the Transferee. In addition, the Transferor and/or Hangzhou HL should have duly notified the relevant governmental departments and other third parties regarding the transactions contemplated under the Agreement (if required);
- (5) the passing of the ordinary resolution by the Shareholders at the SGM and the relevant resolution by Sing Lee Electronics (B.V.I.) Co., Ltd, Hangzhou HL and the Transferor at their general meeting/board meeting to approve the execution and performance of Agreement and the transactions contemplated thereunder;
- (6) each of Hangzhou HL and the Transferor have signed and delivered the original of the Agreement and other documents in relation to the transactions contemplated thereunder to the Transferee;
- (7) no material adverse change having occurred to the assets, business, operating conditions and the industry of the business of Hangzhou HL as at the date of the Agreement and at all times up to and including the Completion Date;

- (8) there is no claim (and there is no event indicating that there is such a claim) filed by Hangzhou HL or the Transferor or from any party against them that attempts to restrict the Agreement and the transactions contemplated thereunder or have a material adverse effect on the conditions of the Agreement and the transactions contemplated thereunder as of the Completion Date, and based on the reasonable judgment of the Transferee, such claim may make it impossible or illegal to complete the transactions contemplated under the Agreement; there is no claim (and there is no event indicating that there is such a claim) filed by or against any party which will have a material adverse effect on the business or assets of Hangzhou HL;
- (9) Hangzhou HL has signed the employment agreements (if applicable), intellectual property ownership, confidentiality and non-competition agreements with the key employees in the forms and contents that are satisfactory to the Transferee, and have provided the Transferee with a scanned copy of the same;
- (10) the Transferor having transferred all the intellectual properties and/or intellectual property rights and source codes owned by it in respect of the main business of Hangzhou HL to Hangzhou HL;
- (11) pursuant to the terms of the business contracts (including existing business contracts and new business contracts) signed by the Transferor that are related to the main business of Hangzhou HL, the Transferor has fully communicated with the other party of the relevant business contracts in relation to the novation of the contractual rights and obligations of the Transferor to Hangzhou HL; unless otherwise agreed therein, the Transferor undertakes that all revenue, costs and expenses generated from/incurred by the main business of Hangzhou HL starting from 1 January 2021 shall be attributable to Hangzhou HL; and
- (12) the Transferor has transferred to Hangzhou HL all accounts receivable arising from the main business of Hangzhou HL as of 31 December 2020 that have already disclosed in writing to the Transferee.

Completion

Upon fulfilment or waiver (as the case may be) of all the conditions set out in the paragraph headed “Conditions precedent” above, Hangzhou HL and the Transferor shall, within 2 business days, deliver a written confirmation to the Transferee to inform the Transferee that all the conditions have been satisfied (or waived, as the case may be) and provide all the relevant documentation proof thereof.

Subject to the due compliance of the terms and conditions stipulated in the Agreement, after all the conditions precedent have been satisfied (or waived, as the case may be), the Completion shall take place on the fifth business day after such conditions precedent have been proven to be satisfied or waived (or such other date as the Parties to the Agreement may agree in writing). The Transferee shall pay (i) the first installment of the Consideration of RMB20,000,000 (equivalent to approximately HK\$24,000,000) to Hangzhou HL’s designated bank account on the Completion Date; and (ii) the second installment of the Consideration of RMB20,000,000 (equivalent to approximately HK\$24,000,000) to Hangzhou HL’s designated bank account within 5 business days upon the completion of the relevant registration/procedures related to the transfer of the Sale Shares, and Hangzhou HL or the Transferor provided the Transferee with a scanned copy or a photocopy of the document(s) issued by the relevant registration authority which evident such changes.

If the conditions precedent have not been satisfied (or waived, as the case may be) on or before the Long Stop Date, the Agreement shall cease and terminate and neither Party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies thereafter.

Post-Completion obligations

The Transferor agrees and undertakes to Hangzhou HL and the Transferee that:

- (i) The Transferor shall novate all the rights and obligations of the business contracts (including the existing business contracts and the new business contracts) and/or the contractual rights and obligations related to the main business of Hangzhou HL to Hangzhou HL within 90 days from the Completion Date. If the counterparty of those business contracts did not agree to such novation, a transitional arrangement will be made and the Parties agreed that the Transferor will still be responsible for carrying out the rights and obligations under the business contracts. The Transferor shall accept the guidance from the Transferee while carrying out its duties and after the completion of agreed settlement, the Transferor shall settle the actual income received for the performance of such business contracts on or after 1 January 2021, after deducting all the actual costs and expenses incurred for the performance of such business contracts, on a monthly basis with Hangzhou HL. If there are any balances remain after deducting the costs and expenses from the income received, the Transferor shall pay the settlement balance of the previous month to Hangzhou HL before the 25th day of each calendar month as compensation to Hangzhou HL, if Transferor fails to pay the said amount due on time, the Transferor liable for such compensation shall pay the Transferee a liquidated damages equivalent to 0.05% of the amount of the payment obligation which it fails to perform on time according to the time limit required by the Transferee for each day of such delay. If the relevant income is insufficient to cover the costs and expenses, Hangzhou

HL shall pay the difference between the costs (and expenses) and income as settlement balance of the previous month to the Transferor before the 25th day of each calendar month as compensation. If Hangzhou HL does not have enough cash to pay the difference, the Transferor shall have the right to deduct the corresponding amount from the revenue generated by other continuing business contracts related to Hangzhou HL's main business. The aforesaid expenses, costs and income shall be jointly confirmed by Hangzhou HL and the Transferor, of which any non-recurring costs and expenses, and recurring costs and expenses of a single item in excess of RMB500,000 (if it is a recurring cost under the same business contract, it should be the cumulative total) shall be made known to and agreed in writing by Hangzhou HL before incurring such costs (Hangzhou HL shall be responsible for any breach of contract, employee claims and other legal consequences under the business contracts caused by Hangzhou HL's disagreement with paying for the relevant costs and expenses without a reasonable cause or failing to make a clear response for the relevant costs and expenses within 7 days after receiving the Transferor's notice, and shall indemnify the Transferor for any loss (if any) incurred therefrom). If Hangzhou HL disagrees with paying for the relevant costs and expenses, it shall promptly provide the Transferor with alternative guidance opinion on the costs and expenses. For the avoidance of doubt, if the counterparty fails to make the payment in time or in full, or commits any other breaches under the main business contracts which have novated to Hangzhou HL, or under the business contracts related to Hangzhou HL's main business, which have not been novated but continued to be performed by the Transferor, the relevant liability for the breach of contracts shall be borne by the counterparty of the contract, the Transferor shall not bear any responsibility. However, the Transferor shall, by itself or in cooperation with Hangzhou HL, recover compensation from the counterparty for its breach of contract (all costs and expenses incurred thereon shall be borne by Hangzhou HL) and shall pay the compensation received to Hangzhou HL; and for the Transferor's liability for breach of contracts triggered by its performance of the main business contracts which have not been novated but continued to be performed by the Transferor, all losses suffered by the Transferor due to such breach of contracts shall be fully compensated from the income of the business contracts, except the Transferor failed to act in accordance with the guidance specified by the Transferee in advance or the breach of contracts which are caused by the Transferor's actions or omissions constituted before the Completion Date; for contracts related to the main business of Hangzhou HL, if the business contracts have been novated from the Transferor to Hangzhou HL and Hangzhou HL fails to perform the relevant contractual obligations or commits other breaches, the relevant compensation for such breach of contract shall be borne by Hangzhou HL, the Transferor shall not bear such responsibility; if the Transferor assumes all or part of liabilities for breach of contract as required by the counterparty of the business contracts or for other reasons, Hangzhou HL shall pay the Transferor the amount of compensation in full within the time limit required by the Transferor, except for the liability for breach of contracts arising from the acts or omissions of the Transferor constituted prior to the Completion Date.

- (ii) Within one year from the Completion Date, if the business contracts related to the main business of Hangzhou HL (including existing business contracts and new business contracts) which are signed by Hangzhou HL and/or the Transferor expire, the Transferor shall try its best to assist Hangzhou HL, the Transferee and the main business partners to establish a good cooperative relationship with them, properly complete the handover of work, assist Hangzhou HL to communicate with the main business partners, and strive to renew the contract on commercial terms no worse than those currently in place.
- (iii) Hangzhou HL and the Transferor shall, within 10 business days after the Completion Date, submit all relevant documents to the government authority for the completion of registration/filing for the equity transfer and the change of the articles of association of Hangzhou HL.
- (iv) The Transferor shall provide Hangzhou HL with and transfer all certificates, data, documents, materials and relevant information related to Hangzhou HL's main business related intellectual property rights and source codes within 10 business days after the Completion Date, and shall provide necessary assistance to Hangzhou HL on the registration/change of intellectual property rights related to Hangzhou HL's main business.
- (v) After the above-mentioned Completion and the expiration of 90 days from the Completion Date, the Transferor and Hangzhou HL shall within 5 business days, settle all the actual income and expenses (including but not limited to staff costs, rent of staff dormitories and etc.) generated by the Transferor from the main business of Hangzhou HL during the period from 1 January 2021 to the settlement date. If there is a surplus in the relevant actual income (excluding the relevant income that has been transferred through the Agreement and the capital contributed to Hangzhou HL) after deducting the actual costs and expenses, the Transferor shall pay the surplus to Hangzhou HL as compensation; if the relevant actual income is insufficient to cover the actual cost, Hangzhou HL shall pay the difference between the actual cost and the actual income to the Transferor as compensation; if Hangzhou HL does not have enough cash to pay the difference, the Transferor shall have the right to deduct the corresponding amount from the revenue generated by other continuing business contracts related to Hangzhou HL's main business. The aforesaid expenses, costs and income shall be jointly confirmed by Hangzhou HL and the Transferor, of which any non-recurring costs and expenses, and recurring costs and expenses of a single item is in excess of RMB500,000 (if it is a recurring cost under the same business contract, it should be the cumulative total) from the date of the Agreement shall be known and agreed in writing by Hangzhou HL before incurring such costs (Hangzhou HL shall be responsible for any breach of contract, employee claims and other legal consequences under the business contract caused by Hangzhou HL's disagreement with paying for the relevant costs and expenses without a reasonable cause or failing to make a clear response for the relevant costs and expenses within 7 days after receiving the Transferor's notice, and shall indemnify the Transferor for any loss (if any) incurred therefrom). If Hangzhou HL disagrees with paying for the relevant costs and expenses, it shall promptly provide the Transferor with alternative guidance on the costs and expenses. For the avoidance of doubt, the employees' remuneration payable but yet to be paid by the Transferor for carrying out its main business in 2020, as well as the 2020 annual bonus of the employees to be determined in 2021, shall be borne by the Transferor absolutely.

INFORMATION ON THE PARTIES

INFORMATION ON THE GROUP

The Company is incorporated in Bermuda with limited liability, the shares of which are listed and traded on GEM of the Stock Exchange (stock code: 8076). The Group is principally engaged in the development and sales of information and network technologies and services to the financial industry in the PRC.

The Transferor is a company incorporated in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company and the immediate holding company of Hangzhou HL. It is principally engaged in the development, manufacture and sale of software products, sale of related hardware products and provision of technical support services for (i) development and installation of bank transaction software; (ii) outsourcing financial services for bank customers; and (iii) development, installation and maintenance of payment software system.

INFORMATION ON THE TRANSFEREE

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Transferee is a joint stock company incorporated in the PRC with limited liability and its shares are listed on the Main Board of the Shanghai Stock Exchange (stock code: 600570) and, is principally engaged in the provision of financial technology, offering integrated solutions and services to the institutions of securities, futures, funds, trust, insurance, banking, exchange and private placement.

INFORMATION ON HANGZHOU HL

Hangzhou HL is a company incorporated in the PRC with limited liability on 20 January 2021 with a registered capital of RMB1,000,000 as at the date of this announcement. As at the date of this announcement, Hangzhou HL has not carried out any business. After the Assets and Liabilities are duly transferred from the Transferor to Hangzhou HL (“**Capital Injection**”), Hangzhou HL shall commence the Transferred Business. The Assets and Liabilities consist of various contracts, intangible assets, accounts receivables, accounts payables and other payables in respect of the Transferred Business.

After the Capital Injection is completed, Hangzhou HL will be principally engaged in the Transferred Business.

Financial Information of the Relevant Business Line of the Transferor

No separate financial statements were prepared for the Relevant Business Line by the Company for the two years ended 31 December 2019 and 2020, respectively. Thus, the Company extracted the revenue generated from the Relevant Business Line from the financial information of the Transferor and on a best effort basis allocated various costs relevant to the Relevant Business Line, which were mainly included in the costs of sales and services, distribution and selling expenses and administrative expenses in the financial information of the Transferor, to the relevant revenue (i.e. the net profits mainly attributable to the Assets and Liabilities).

Set out below is a summary of the unaudited financial information of the Relevant Business Line prepared based on the above-mentioned basis for the two years ended 31 December 2019 and 2020, respectively:

	For the years ended	
	31 December	31 December
	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Approximately</i>	<i>Approximately</i>
Profit/(loss) before tax	11,457	(19,162)
Profit/(loss) after tax	11,290	(19,162)

The carrying amount of the Assets and Liabilities classified as held for sale as of 31 December 2020 is approximately RMB34.6 million (equivalent to approximately HK\$41.5 million).

Financial Information of Hangzhou HL

No financial statements have been prepared for Hangzhou HL since its date of incorporation.

Profit forecast under the Valuation Report

According to the Valuation Report, the Valuer has applied the income approach, a discounted cash flow model, to implement the valuation based on the profit forecast (“**Profit Forecast**”) provided by the management of the Company (the “**Management**”). The valuation on the discounted cash flow model is regarded as a profit forecast under Rule 19.61 of the GEM Listing Rules.

Valuation assumptions

For the valuation performed based on the income approach, the Valuer has adopted the following valuation assumptions:

- (i) The valuation was based on a pro forma basis. It was assumed that the Assets and Liabilities were transferred to Hangzhou HL on 31 December 2020 and Hangzhou HL commenced operation immediately on 31 December 2020;
- (ii) The valuation was primarily based on the financial projection of Hangzhou HL as at 31 December 2020 as provided by the Management. The projection outlined in the financial information provided were assumed to be reasonable, reflecting market conditions and economic fundamentals, and will be materialized;
- (iii) As discussed with the Management, any deferred tax assets/liabilities arise from any accounting treatment in relation to the Assets and Liabilities were not considered in the valuation;
- (iv) As discussed with the Management, it was assumed that most of the banks in China would not suspend their normal operations for prolonged period of time or postpone their expansion plans due to the adverse impact of the COVID-19 pandemic during the forecast period;
- (v) Hangzhou HL would be operated and developed as planned by the Management throughout the forecast period, and the development would be in line with the financial projection;
- (vi) All relevant legal approvals and business certificates or licenses to operate the business in the localities in which Hangzhou HL operates or intends to operate would be officially obtained;
- (vii) There will be sufficient supply of technical staff in the industry in which Hangzhou HL operates, and Hangzhou HL will retain competent management, key personnel and technical staff to support its ongoing operations and developments until 2025;
- (viii) There will be no major change in the current taxation laws in the localities in which Hangzhou HL operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- (ix) There will be no major change in the political, legal, economic or financial conditions in the localities in which Hangzhou HL operates or intends to operate, which would adversely affect the revenues attributable to and profitability of Hangzhou HL; and

- (x) Interest rates and exchange rates in the localities for the operation of Hangzhou HL will not differ materially from those presently prevailing.

Confirmation

Deloitte Touche Tohmatsu (“**Deloitte**”), the Company’s reporting accountants, has been engaged to issue an assurance report dated 26 March 2021 on the calculations of the discounted cash flow model used in the Valuation Report, as required by Rule 19.62(2) of the GEM Listing Rules. The discounted future cash flows do not involve the adoption of accounting policies.

China Vered Securities Limited (“**China Vered**”), the financial adviser of the Company, has discussed with the Directors, the Management and the Valuer on the bases and assumptions upon which the Profit Forecast has been prepared. The financial adviser has also considered the assurance report from Deloitte. On the basis of the foregoing and subject to conditions set out in the Financial Adviser Letter (as defined below), the financial adviser confirmed that the Profit Forecast included in the Valuation Report prepared using the income approach has been made after due and careful enquiries by the Directors and issued a letter dated 26 March 2021 in accordance with Rule 19.62(3) of the GEM Listing Rules (the “**Financial Adviser Letter**”).

A letter from Deloitte and the Financial Adviser Letter have been submitted to the Stock Exchange, and are included in Appendix I and II, respectively, to this announcement pursuant to Rules 19.62(2) and 19.62(3) of the GEM Listing Rules.

Experts

Name	Qualification
Roma Appraisals Limited	Professional valuer
Deloitte Touche Tohmatsu	Certified Public Accountants, Hong Kong Registered Public Interest Entity Auditors
China Vered Securities Limited	Registered institution under the SFO to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 6 (advising on corporate finance)

Each of the experts mentioned above has given and has not withdrawn its consent to the publication of this announcement with inclusion of its report and all references to its name in the form and context in which it respectively appears in this announcement.

As at the date of this announcement, each of the experts mentioned above does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for the securities in any member of the Group.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, Hangzhou HL will cease to be a subsidiary of the Company and the financial results of Hangzhou HL will no longer be consolidated into the consolidated financial statements of the Company and the Group will cease to engage in the Transferred Business.

It is estimated that the Group will record a gain of approximately RMB2.3 million (equivalent to approximately HK\$2.8 million) from the Disposal, being the difference between the Consideration and the carrying amount of the Assets and Liabilities classified as held for sale as of 31 December 2020 of approximately RMB34.6 million (equivalent to approximately HK\$41.5 million) and the estimated related transaction expenses (including professional fees) of approximately RMB3.1 million (equivalent to approximately HK\$3.7 million) paid/payable by the Group in connection with the Disposal.

As a result of the Disposal, it is expected that the assets of the Company will increase by approximately RMB0.1 million (equivalent to approximately HK\$0.12 million) and the liabilities of the Company will decrease by RMB2.2 million (equivalent to approximately HK\$2.6 million), respectively.

Shareholders should note that the actual amount of the gain or loss on the Disposal and the financial effect on the assets and liabilities of the Company will be subject to final audit by the Company's auditors and therefore may be different from the amounts mentioned above.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND THE INTENDED USE OF PROCEEDS

It has always been the Group's business strategy to continuously evaluate the current businesses of the Group with an aim to streamline its business for the purpose of increasing its overall performance and cost-effectiveness, as well as to improve its financial performance according to the market conditions to create greater value for the Group and the Shareholders.

The COVID-19 outbreak has an adverse impact on the development of the financial industry and created economic uncertainty to the PRC. The substantial suspension of banking operations, and the further disruptions caused by the cluster outbreaks in Heilongjiang, North China, Xinjiang and Qingdao have severely undermined the industry's development. The Group recorded net losses of approximately RMB17,361,000 (equivalent to approximately HK\$20,833,200) for the nine months ended 30 September 2020 (for the nine months ended 30 September 2019: a profit of approximately RMB1,743,000 (equivalent to approximately HK\$2,091,600)) and approximately RMB31,204,000 (equivalent to approximately HK\$37,444,800) for the year ended 31 December 2020 (for the year ended 31 December 2019: a profit of approximately RMB25,004,000 (equivalent to approximately HK\$30,004,800)). The turnaround from profit to loss was mainly attributable to a significant decrease in revenue due to the COVID-19 pandemic and the continuing high labour costs and intensive competition in the sector of providing services for the development and installation of bank transaction software.

Although the Board believes that the COVID-19 pandemic has a short-term impact on the operating business of the Group, it is of its opinion that the prospect of the Transferred Business is far from being optimistic in the near future. The Company has compared the businesses of the Transferred Business and the remaining business segments of the Company, would have a better future in terms of room for development and demand, while the competition for the businesses of the Transferred Business has becoming more intense and the profitability of such businesses are not expected to improve significantly for the years coming. In particular, given a substantial amount of capital injection or financial resources from the Group would be required for the purpose of research and development and the labour costs in the coming years had Hangzhou HL not been disposed of by the Group, the Board considers that it is no longer cost-effective to run the Transferred Business in the long run.

In view of the above, the Group intends to dispose of the Transferred Business to Hangzhou HL. The Disposal will offer the Group with a good opportunity to dispose of its underperforming business and to minimise the adverse impact on the performance of the Group. Moreover, the Disposal would also enable the Group to focus its resources for the development of the remaining business which is expected to have a better prospect and return, and to streamline the business operations of the Group as well as reduce its operation cost.

The net cash proceeds from the Disposal, after deducting the estimated expenses in relation to the Disposal, will amount to approximately RMB36.9 million (equivalent to approximately HK\$44.3 million). Therefore, the Group will apply the net proceeds of the Disposal to develop its remaining business and as general working capital of the Group upon the Completion of the Disposal. The Directors expect that the materialisation of the Disposal will not materially affect the financial performance of the Group in the long run.

Taking into consideration of the aforesaid, the Directors consider that the terms of the Disposal are fair and reasonable and are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more of the relevant percentage ratios under the GEM Listing Rules in respect of the transactions contemplated under the Agreement exceed 25% but are below 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Agreement and transactions contemplated thereunder.

A circular containing, among other information, (i) further details of the Agreement and the transactions contemplated thereunder; (ii) financial information of the Group; (iii) a notice convening the SGM; and (iv) other information as required under the GEM Listing Rules, is expected to be despatched on or before 21 April 2021.

Completion is conditional upon the satisfaction of the conditions set out in the section headed “Conditions precedent” in this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors in the Company should exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Agreement”	the equity transfer agreement dated 26 March 2021 entered into among the Transferor, the Transferee and Hangzhou HL relating to the equity transfer of the Sale Shares
“Assets and Liabilities”	certain assets and liabilities of the Transferor, which are related to the Transferred Business and proposed to be transferred from the Transferor to Hangzhou HL
“Board”	the board of Directors of the Company
“business day”	a day (not being a Saturday, Sunday or public holiday in the PRC and Hong Kong)
“Company”	Sing Lee Software (Group) Limited (新利軟件(集團)股份有限公司), a company incorporated in Bermuda with limited liability, the Shares of which are listed on GEM
“Completion”	the completion of the Disposal in accordance with the terms and conditions of the Agreement
“Completion Date”	the fifth business day following the date on which the conditions precedent have proven to be satisfied (or waived, as the case may be) (or such other date as the Parties to the Agreement may agree in writing)

“Consideration”	the total consideration in the sum of RMB40,000,000 (equivalent to approximately HK\$48,000,000) payable by the Transferee to the Transferor for the Disposal under the Agreement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares pursuant to the Agreement
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hangzhou HL”	杭州恒新利融軟件有限公司 (Hangzhou Hengxin Lirong Software Company Limited*), a company incorporated in the PRC with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) who is(are) not connected with the Company and its connected persons (as defined in the GEM Listing Rules)
“Long Stop Date”	20 May 2021 or such later date as the Parties may agree in writing
“Parties”	the Transferor, the Transferee and Hangzhou HL
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	RMB1,000,000 in the share capital of Hangzhou HL, representing the entire equity interest in Hangzhou HL as at the date of this announcement, and is proposed to be enlarged to RMB20,000,000 before Completion Date
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transferee”	恒生電子股份有限公司 (Hundsun Technologies Inc.*), a company established under the laws of the PRC and whose shares are listed on the Main Board of the Shanghai Stock Exchange (stock code: 600570)
“Transferor”	杭州新利科技有限公司 (Hangzhou Singlee Technology Company Limited*), a company incorporated in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company
“Transferred Business”	the business of the development, sales, installation and the provision of services in relation to capital transaction related products
“Valuer”	Roma Appraisals Limited, an independent professional valuer
“Valuation Report”	valuation report on the 100% equity interest of the Hangzhou HL as of 31 December 2020 on a pro forma basis prepared by the Valuer
“%”	per cent

* *For identification purposes only*

In this announcement, translation of RMB into HK\$ is based on the exchange rate of RMB1: HK\$1.2 for illustration only.

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

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

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*)

Hong Kong, 26 March 2021

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules of the Stock Exchange 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.

The 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>).

Appendix I — REPORT FROM REPORTING ACCOUNTANT

The following is the text of a report, prepared for the purpose of incorporation in this announcement, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.



INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF 100% EQUITY INTEREST IN HANGZHOU HENGXIN LIRONG SOFTWARE COMPANY LIMITED

TO THE DIRECTORS OF SING LEE SOFTWARE (GROUP) LIMITED (the “Company”)

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Roma Appraisals Limited, of 100% equity interest in Hangzhou Hengxin Lirong Software Company Limited (“**Hangzhou HL**”) as at 31 December 2020 (the “**Valuation**”) is based. Hangzhou HL is a company incorporated in the People’s Republic of China whose principal assets are intangible assets and trade receivables. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under paragraph 19.61 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and will be included in an announcement dated 26 March 2021 to be issued by Sing Lee Software (Group) Limited (the “**Company**”) in connection with the major transaction in relation to the disposal of 100% equity interest in Hangzhou HL (the “**Announcement**”).

Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the sections heading “Profit forecast under the Valuation Report” in the Announcement, and the Valuation (the “**Assumptions**”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibility

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rules 19.62(2) of the GEM Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company’s management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of Hangzhou HL.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong

26 March 2021

Appendix II — LETTER FROM CHINA VERED SECURITIES LIMITED RELATING TO THE PROFIT FORECAST

The Directors

Sing Lee Software (Group) Limited

32nd Floor, Morrison Plaza

5-9A, Morrison Hill Road

Wanchai, Hong Kong

26 March 2021

Ladies and Gentlemen:

We refer to the announcement of Sing Lee Software (Group) Limited (the “**Company**”) dated 26 March 2021 (the “**Announcement**”) in respect of the disposal (the “**Disposal**”) of 100% equity interest of 杭州恒新利融軟件有限公司 (“**Hangzhou HL**”) by the Company. A valuation report for the purpose of the Disposal (the “**Valuation Report**”) was prepared by Roma Appraisals Limited (the “**Valuer**”) in connection with the Disposal.

We understand that the Valuer has applied income approach, a discounted cash flow model, to implement the valuation based on the profit forecast provided by the management of the Company. The valuation on the discounted future estimated cash flows is regarded as a profit forecast under Rule 19.61 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”).

We have reviewed the profit forecast included in the Valuation Report (“**Profit Forecast**”). We have discussed with you, the management of the Company and the Valuer on the bases and assumptions upon which the Profit Forecast has been made. We have also considered the letter dated 26 March 2021 addressed to you from Deloitte Touche Tohmatsu (“**Deloitte**”) as set forth in Appendix I to the Announcement regarding the calculations of the discounted future estimated cash flows.

On the basis of the foregoing, we are satisfied that the Profit Forecast, for which you as the Directors are solely responsible for, has been made after due and careful enquiry by you. Our work in connection with the Profit Forecast has been undertaken solely for the strict compliance with Rule 19.62(3) of the GEM Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work and we accept no responsibility, whether expressly or implicitly, on the valuation as set out in the Valuation Report. We express no opinion on the reasonableness of the valuation method or whether the actual cash flows would eventually be achieved in correspondence with the Profit Forecast. We have not independently verified the assumptions and computations leading to the Valuer’s determination of the market value of 100% equity interest of Hangzhou HL as of 31 December 2020 on pro forma basis (the “**Market Value**”). We have had no role or involvement and have not provided and will not provide any assessment of the Market Value.

We further confirm that the assessment, review and discussion carried out by us as described above are primarily based on financial, economic, market and other conditions in effect, and the information made available to us as of the date of this letter and that we have, in arriving at our view, relied on information and materials supplied to us by the Valuer, the Company and its subsidiaries (collectively, the “**Group**”) and opinions expressed by, and representations of, the employees and/or management of the Valuer and the Group. We have assumed that all information, materials and representations provided to us by the Valuer and the Group, including all information, materials and representations referred to or contained in the Announcement, for which the Directors are wholly responsible, were true, accurate, complete and not misleading at the time they were supplied or made, and remained so up to the date of the Announcement and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, expressed or implied, is made by us on the accuracy, truth or completeness of such information, materials or representations.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

Yours faithfully,
China Vered Securities Limited
Maggie Li
Director