
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stock broker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Sing Lee Software (Group) Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

(1) MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF 100% EQUITY INTEREST IN A SUBSIDIARY AND (2) NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company



中微證券
CHINA VERDE SECURITIES

Capitalised terms used in the lower portion of this cover page shall have the same respective meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 5 to 20 of this circular. The notice convening the SGM ("Notice") to be held at the Unicorn & Phoenix, Basement 2, The Charterhouse, 209-219 Wanchai Road, Hong Kong on 24 May 2021 (Monday) at 10:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular.

Shareholders are advised to read the Notice and if you are not able to attend the SGM or any adjournment thereof (as the case may be) in person but wish to exercise your right as a Shareholder, please complete, sign and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's Hong Kong branch share registrar, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

Considering the outbreak of the novel coronavirus (COVID-19), certain precautionary measures will be implemented at the SGM with a view to addressing the risk to attendees of infection, including the following:

- a) all attendees will be required to undergo body temperature check. Any person with a body temperature of over 37.5 degrees Celsius will be denied entry into the SGM venue or be required to leave the SGM venue;
- b) all attendees will be required to complete a health declaration form (a copy of the form is enclosed with this circular), which may be used for contact tracing, if required;
- c) any attendees who are subject to health quarantine prescribed by the Government of the HKSAR will not be admitted to the venue of the SGM;
- d) all attendees will be required to wear surgical face masks throughout the SGM and inside the SGM venue;
- e) each attendee will be assigned a designated seat at the time of registration to ensure social distancing;
- f) any person who does not comply with the measures above may be denied entry into, or be required to leave the SGM venue; and
- g) no refreshments or beverages will be provided, and there will be no corporate gifts.

The Company reminds Shareholders that they should carefully consider the risks of attending the SGM, taking into account their own personal circumstances. The Company would like to remind Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising their voting rights and **strongly recommends that Shareholders appoint the chairman of the SGM as their proxy** and submit their form of proxy as early as possible. In light of the risks posed by the COVID-19 pandemic, the Company **strongly encourages Shareholders NOT to attend the SGM in person**.

The Company will keep the evolving COVID-19 situation under review and may implement additional measures (which it will announce closer to the date of the SGM.)

5 May 2021

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This circular in both English and Chinese is available in printed form and published on the respective websites of the Company at “<http://www.singlee.com.cn>” and Hong Kong Exchanges and Clearing Limited at “<https://www.hkexnews.hk>”. It will remain on the “Latest Listed Company Information” section of the GEM website (www.hkgem.com) for at least 7 days from the date of its posting.

DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

“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
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“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)
“Conditions”	the conditions precedent to Completion as set out in the Agreement
“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
“Financial Adviser”	China Vered Securities Limited (中薇證券有限公司), a 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), being the financial adviser to advise the Company on the Disposal

DEFINITIONS

“Frost & Sullivan”	Frost & Sullivan Limited, an industry expert engaged by the Company
“Frost & Sullivan Report”	a report prepared by Frost & Sullivan on the financial software industry in the PRC
“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)
“Latest Practicable Date”	3 May 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Long Stop Date”	24 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 circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Remaining Businesses”	remaining business segments of the Group after the Disposal. With reference to the Company’s Annual Report 2020, it is represented by the segments of sales of software products, sales of related hardware products and provisions of services of (i) outsourcing financial services for bank customers and (ii) development, installation and maintenance of payment software system. For further details, please refer to page 131 of the Company’s Annual Report 2020
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“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 circular, 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
“SGM Notice”	the notice of the SGM as set out on pages SGM-1 to SGM-3 of this circular
“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. With reference to the Company’s Annual Report 2020, the Transferred Business is one of the Group’s service lines under the sales of software products and provision of technical support services, which is represented by the segment of provision of services of development and installation of bank transaction software. There is no difference between Transferred Business and Relevant Business Line of the Transferor in terms of historical financial information based on the books and records of the Transferor. For further details, please refer to page 155 of the Company’s Annual Report 2020

DEFINITIONS

“Valuer”	Roma Appraisals Limited, a 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 circular, translation of RMB into HK\$ is based on the exchange rate of RMB1: HK\$1.2 for illustration only. Such translation should not be constructed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.

LETTER FROM THE BOARD



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)

Board of Directors

Executive Directors

Hung Yung Lai (*Chairman*)

Hung Ying (*Vice Chairman*)

Lin Xue Xin (*Chief Executive Officer*)

Cui Jian

Registered office:

Clarendon House

2 Church Street

Hamilton, HM11

Bermuda

Independent non-executive Directors

Pao Ping Wing

Thomas Tam

Lo King Man

*Head Office and principal place of
business in Hong Kong:*

32/F, Morrison Plaza,

5-9A Morrison Hill Road,

Wanchai, Hong Kong

5 May 2021

To the Shareholders

Dear Sir/Madam,

**(1) MAJOR TRANSACTION
IN RELATION TO THE DISPOSAL OF
100% EQUITY INTEREST IN A SUBSIDIARY AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

1. INTRODUCTION

References are made to the announcements of the Company dated 12 March 2021 and 26 March 2021 in relation to the Disposal.

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 equity interest in Hangzhou HL at the Consideration of RMB40,000,000 (equivalent to approximately HK\$48,000,000) in cash.

Upon Completion, the Transferor will no longer hold any equity interest in Hangzhou HL and Hangzhou HL will cease to be a subsidiary of the Company. The financial results of Hangzhou HL will no longer be consolidated into the consolidated financial statements of the Company.

LETTER FROM THE BOARD

Completion of the Disposal is subject to and conditional upon satisfaction or (where applicable) waiver of the Conditions including, among other things, the granting of the necessary approval by the Shareholders of the Company.

The purpose of this circular is to provide you with, among other things, (i) further details of the Agreement and the transaction 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.

2. 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**”).

The Transferee was introduced by a bank customer of the Group to the Company in May 2020. 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 circular, 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.

LETTER FROM THE BOARD

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 the 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;

LETTER FROM THE BOARD

- (7) no material adverse change having occurred to the assets, business, operating conditions and the industry of the business of Hangzhou HL as of 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.

The Transferor shall procure that all the Conditions are satisfied on or before the Completion Date. The Transferee may at its sole judgment waive any of the Conditions precedent set out above (except for Conditions (3), (4) and (5)) and has the right to change them into post-completion obligations. The Transferee shall communicate with the Transferor to confirm the deadline for the Transferor's fulfilment of its post-completion obligations. If the aforementioned period cannot be agreed among the Parties through negotiation, the Transferee shall have the right not to waive the Conditions, and the performance of the Agreement shall be terminated; if the Transferor cannot fulfil the post-completion obligation(s) within the agreed period, the Transferee shall have the right to terminate the Agreement and the Transferor shall return all the Consideration already paid by the Transferee within 3 business days from the date of termination of the Agreement, and shall pay the interest based on the amount to be returned and calculated according to the standard of one-year loan prime rate (LPR) as at 1 January 2021. If the Transferor and the Transferee have completed the change of industrial and commercial registration, the Transferee agrees to cooperate with the Transferor to revert the change of industrial and commercial registration and transfer equity interest in Hangzhou HL back to the Transferor.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Conditions (6), (9) and (11) have been satisfied and the other Conditions have not been satisfied nor waived.

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

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

- (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.

Extension of Long Stop Date

As disclosed in the Announcements, Completion is conditional upon, among other things, the fulfilment of certain conditions precedent on 20 May 2021 or such later date as the Parties may agree in writing.

As additional time is required for the fulfilment of certain conditions precedent under the Agreement, on 3 May 2021, the Parties entered into a consent letter to extend the Long Stop Date from 20 May 2021 to 24 May 2021 (or such later date as the Parties may agree in writing). Save for the aforesaid extension of the Long Stop Date, the other terms and Conditions of the Agreement remain unchanged and continue in full force and effect.

LETTER FROM THE BOARD

3. INFORMATION ON THE PARTIES

(a) 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 sales of software products, sales 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.

(b) 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.

(c) 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 circular. As at the date of this circular, 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.

4. 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 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).

LETTER FROM THE BOARD

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

	For the years ended	
	31 December 2019	31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Approximately</i>	<i>Approximately</i>
Revenue <i>(Note)</i>	34,820	18,949
Profit/(loss) before tax	11,457	(19,162)
Profit/(loss) after tax	11,290	(19,162)

Note: The revenue generated from the sales of relevant software products under the Relevant Business Line (i.e. the sales of software products which are related to capital transaction) represents approximately 12.4% (i.e. approximately RMB2,354,000) and 20.4% (i.e. approximately RMB7,099,000) of the total revenue generated from the Relevant Business Line for the years ended 31 December 2020 and 31 December 2019, respectively. Also, the revenue generated from the sales of software products under the Remaining Businesses (i.e. the sales of software products which are related to the payment software system) represents approximately 6.0% (i.e. approximately RMB3,966,000) and 8.8% (i.e. approximately RMB8,385,000) of the total revenue generated from the Remaining Businesses for the years ended 31 December 2020 and 31 December 2019, respectively. In aggregate, the total revenue generated from the sales of software products by the Group were approximately RMB6,320,000 and RMB15,484,000 for the years ended 31 December 2020 and 31 December 2019, respectively.

The revenue generated from the Relevant Business Line and the Remaining Businesses represent approximately 22.1% and 77.9%, respectively, of the total revenue of the Group for the year ended 31 December 2020 and the revenue generated from the Relevant Business Line and the Remaining Businesses represent approximately 26.8% and 73.2%, respectively, of the total revenue of the Group for the year ended 31 December 2019. The sales revenue generated from the Relevant Business Line decreased by approximately RMB15.9 million (equivalent to approximately HK\$19.1 million) from approximately RMB34.8 million (equivalent to approximately HK\$41.8 million) for the year ended 31 December 2019 to approximately RMB18.9 million (equivalent to approximately HK\$22.7 million) for the year ended 31 December 2020. The Relevant Business Line turned from profit to loss for the year ended 31 December 2020 mainly due to (i) the project delays and cancellation of contracts for the Relevant Business Line due to the adverse impact of the COVID-19 pandemic and the Group did not reduce any headcounts nor employees' salaries in 2020; and (ii) the Group incurred additional research and development costs of approximately RMB5.6 million (equivalent to approximately HK\$6.7 million), which was not capitalised in 2020 for the Relevant Business Line.

LETTER FROM THE BOARD

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). The breakdown of the carrying amount of the Assets and Liabilities are set out below:

	As at 31 December 2020
	<i>RMB'000</i>
	<i>Approximately</i>
Intangible assets	11,490
Trade receivable (net of allowance for credit losses)	<u>25,308</u>
Total assets classified as held for sale	<u>36,798</u>
Trade and other payable	2,193
Total liabilities classified as held for sale	<u>2,193</u>

5. FINANCIAL INFORMATION OF HANGZHOU HL

No audited financial statements or unaudited management accounts have been prepared for Hangzhou HL since its date of incorporation.

6. 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 (the “**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 materialised;
- (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;

LETTER FROM THE BOARD

- (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, the Financial Adviser, 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 circular pursuant to Rules 19.62(2) and 19.62(3) of the GEM Listing Rules.

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

LETTER FROM THE BOARD

As at the date of this circular, each of the experts mentioned in this circular 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.

7. FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Transferor will no longer hold any equity interest in Hangzhou HL and Hangzhou HL will cease to be a subsidiary of the Company. 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.

8. 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.

LETTER FROM THE BOARD

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 with reference to the analysis included in the “Industry Overview” in this circular. The Company has compared the businesses of the Transferred Business with the Remaining Businesses, the latter would have a better future in terms of room for development and demand based on the analysis made under the section headed “Industry Overview”, while the competition for the businesses of the Transferred Business has become more intense and the profitability of such businesses is unlikely 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 labour costs in the coming years had Hangzhou HL not been disposed of by the Group and maintained the existing scale of operation of the Relevant Business Line, the Board considers that it is no longer cost-effective to run the Transferred Business in the long run. To elaborate, for the year ended 31 December 2020, the Group invested approximately RMB6.0 million (equivalent to approximately HK\$7.2 million) (for the year ended 31 December 2019: approximately RMB7.0 million (equivalent to approximately HK\$8.4 million)) in the research and development costs (included the capitalised and not capitalised costs) and incurred RMB12.7 million (equivalent to approximately HK\$15.3 million) (for the year ended 31 December 2019: approximately RMB13.1 million (equivalent to approximately HK\$15.8 million) in the labour costs (included the costs capitalised in the intangible assets) in the Relevant Business Line. The research and development costs and labour costs in aggregate accounted for approximately 99% and 58% of sales of the Relevant Business Line for the years ended 31 December 2020 and 2019, respectively.

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 Businesses 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). The Group will apply the net proceeds of the Disposal in the following manner: (a) approximately RMB10.8 million (equivalent to approximately HK\$13.0 million) will be used for the development of its payment platform software and procurement of hardware products; (b) approximately RMB4.6 million (equivalent to approximately HK\$5.5 million) will be used for the development of the new markets for the business of payment software and outsourcing financial services for customers; and (c) the remaining balance of approximately RMB21.5 million (equivalent to approximately HK\$25.8 million) will be used for the purposes of general working capital of the Group, including but not limited to (i) the Group’s employees’ salaries and wages of approximately RMB18 million (equivalent to approximately HK\$21.6 million) and (ii) other staff benefits of approximately RMB3.5 million (equivalent to approximately HK\$4.2 million). 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.

LETTER FROM THE BOARD

9. REMAINING BUSINESSES OF THE GROUP

Upon Completion, the Group will continue to operate the Remaining Businesses, which mainly comprise the development, manufacture and sales of software products (i.e. those related to the payment software system products), sales of related hardware products and provision of technical support services for (i) outsourcing financial services for customers; and (ii) development, installation and maintenance of payment software system.

As at the Latest Practicable Date, the Group would like to continue its Remaining Businesses and it has no intention to dispose, terminate or scale down its Remaining Businesses apart from the Disposal. As confirmed by the Directors, as at the Latest Practicable Date, the Company and its Directors have no intention nor have the Company and its Directors entered, or proposed to enter, into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, and any negotiation (whether concluded or not) with an intention to dispose of, downsize or terminate its existing business and/or acquire other companies/business/assets. There will not be any changes in the Company's shareholding structure nor the composition of the Board after the Disposal.

10. 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.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Directors have a material interest in the Disposal, and no Directors have abstained from voting on the board resolutions approving the Agreement and the transactions contemplated thereunder.

11. SGM

The SGM will be convened and held at Unicorn & Phoenix, Basement 2, The Charterhouse, 209-219 Wanchai Road, Hong Kong, on 24 May 2021 (Monday) at 10:00 a.m. for the Shareholders to approve the Agreement and the transactions contemplated thereunder. A notice convening the SGM is set out on pages SGM-1 to SGM-3 of this circular.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

LETTER FROM THE BOARD

Whether or not you are able to attend the SGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM if you so wish.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The resolutions to be proposed at the SGM do not relate purely to a procedural or administrative matter. Accordingly, the resolution set out in the notice of SGM will be put to vote by way of poll at the SGM. An announcement on the results of the vote by poll will be made by the Company after the SGM in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder or any of his/her close associate (as defined in the GEM Listing Rules) has a material interest in the Agreement and the transactions contemplated thereunder. As such, no Shareholder is required to abstain from voting under the GEM Listing Rules at the SGM on the resolution to approve the Agreement and the transactions contemplated thereunder.

Considering the outbreak of the novel coronavirus (COVID-19), certain precautionary measures will be implemented at the SGM with a view to addressing the risk to attendees of infection, including the following:

- a) all attendees will be required to undergo body temperature check. Any person with a body temperature of over 37.5 degrees Celsius will be denied entry into the SGM venue or be required to leave the SGM venue;
- b) all attendees will be required to complete a health declaration form (a copy of the form is enclosed with this circular), which may be used for contact tracing, if required;
- c) any attendees who are subject to health quarantine prescribed by the Government of the HKSAR will not be admitted to the venue of the SGM;
- d) all attendees will be required to wear surgical face masks throughout the SGM and inside the SGM venue;
- e) each attendee will be assigned a designated seat at the time of registration to ensure social distancing;
- f) any person who does not comply with the measures above may be denied entry into, or be required to leave the SGM venue; and
- g) no refreshments or beverages will be provided, and there will be no corporate gifts.

LETTER FROM THE BOARD

The Company reminds Shareholders that they should carefully consider the risks of attending the SGM, taking into account their own personal circumstances. The Company would like to remind Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising their voting rights and **strongly recommends that Shareholders appoint the Chairman of the SGM as their proxy** and submit their form of proxy as early as possible. In light of the risks posed by the COVID-19 pandemic, the Company **strongly encourages Shareholders NOT to attend the SGM in person.**

The Company will keep the evolving COVID-19 situation under review and may implement additional measures (which it will announce closer to the date of the SGM.)

12. RECOMMENDATIONS

The Directors believe the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders to vote in favor of the relevant resolutions set out in the SGM Notice.

13. ADDITIONAL INFORMATION

Completion of the Disposal is subject to the satisfaction or (where applicable) waiver of the Conditions and therefore may or may not take place. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
Sing Lee Software (Group) Limited
Hung Yung Lai
Chairman

INDUSTRY OVERVIEW

INTRODUCTION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the bank transaction software market, financial service outsourcing market and payment software system market in the financial industry in the PRC.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy.

We have included certain information from the Frost & Sullivan Report because we believe this information facilitates an understanding of the bank transaction software market, financial service outsourcing market and payment software system market in the financial industry in the PRC. The Frost & Sullivan Report includes information of the designated market as well as other economic data, which have been quoted in the same. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the designated market. Primary research consists of in-depth interviews with leading industry participants and industry experts. Secondary research consists of reviewing company's reports, independent research reports and data of the Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications.

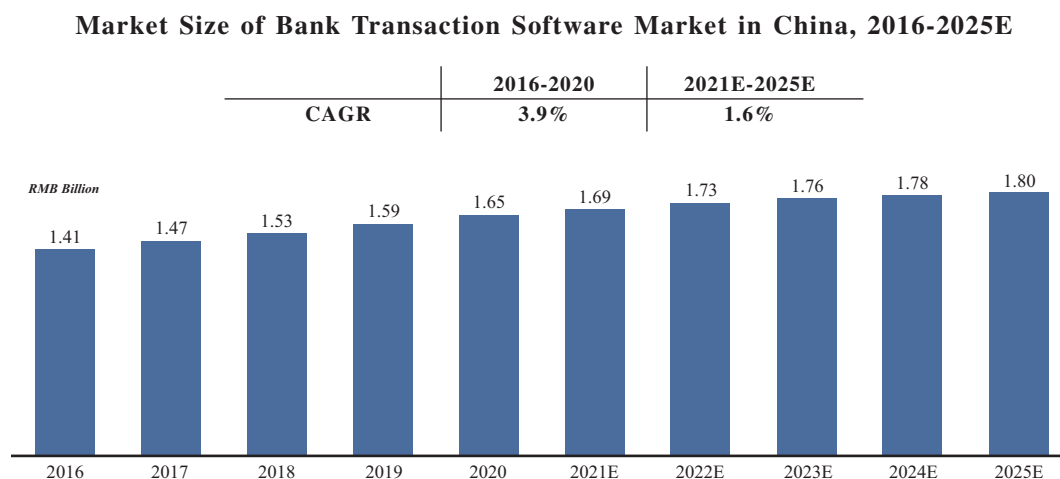
When carrying out the market research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the steady development of the bank transaction software market, financial service outsourcing market and payment software system market in the financial industry in the PRC.

INDUSTRY OVERVIEW

Overview of Bank Transaction Software Market in the PRC

Transaction software is a financial product mainly targeting bank customers to facilitate inter-bank capital flow through different banking systems. The development of banking transaction software in the PRC started years ago with increasing adoptions of digitalization in the financial industry. The PRC is one of the largest economies in the world, and the PRC financial industry process enormous number of transactions annually, as a results, banks strive to improve the level of convenience for their customers when rendering their banking services and increase the flexibility in its capital flow which could potentially drive the economic growth in the PRC. In light of such circumstances, together with the urgent need to embrace digitalization, a large number of commercial banks started to establish business relationships with bank transaction software developers and install bank transaction software for the extension of its services and to capture more business opportunity. Owing to the high technical and security requirements of bank transaction software, the market is dominated by foreign brands with longer establishment history and better brand reputation, because bank customers, especially large-sized banks, are less price sensitive and more willing to pay premium price on foreign brand. Although the demand for bank transaction software developed by local companies in the PRC has become increasingly popular in recent years, the adoption by the bank customers remains limited, and the companies distributing self-developed products which have also established close business relationship with the foreign bank transaction software developers earn a relatively higher profit margin compared to the local companies, which have been solely distributing self-developed products.

Market Size of Bank Transaction Software Market in the PRC



Source: Frost & Sullivan Analysis

INDUSTRY OVERVIEW

Qualitative Analysis of Market Trend

The market of transaction software remains important to the development of financial industry in the PRC. Due to the vast territory of the nation and unmet need for better accessibility of banking services, it is anticipated that there would be potential for further market growth. The market size of bank transaction software has been growing at a CAGR of 3.9% during 2016 and 2020, and the growth rate will be slowing down as the demand for new transaction software is progressively fulfilled along with expansion of businesses from the current market participants. The market has long been dominated by foreign software brands, such as the transaction softwares from Finastra International Ltd., Murex S.A.S. and Calypso Technology, Inc. due to their longer establishment, which gave commercial banks, especially large-scale banks or state-owned banks, more confidence in their technical capability and security. These resulted in the domination of market by traditional distributors of foreign bank transaction software that provide installation and maintenance service to customers in the PRC. These market participants obtained product and service knowledge from the foreign software developers, and these partnerships could minimize the need for initial investment on developing their own products. However, being a distributor of foreign software brands, such as the Company or other traditional market participants, it would also mean that there is a lower profit margin and high operational cost in its business model. This is because service providers have less control over product pricing, which is mainly decided by foreign brand owners. Therefore, traditional distributors could be less responsive to market changes and they might have less bargaining power to secure their profits when dealing with customers. Moreover, there is a relatively high portion of research and development (“R&D”) costs as part of the operational expenses and continual injection of capital for R&D is needed to modify foreign software products for the use of local market and customize each solution for different customers, so that the software could be compatible with the customer’s business model. There would also be a high operational cost in terms of human resources as bank transaction software is highly technical and the traditional distributors of foreign software brand need to recruit a number of IT talents to ensure that the quality of services meets the requirements of the foreign brand owners as well as their customers in the PRC. The business model of traditional distributors, such as the Company would also create business risk due to the high reliance of relationships with foreign software developers.

Development of local brands would be the trend of bank transaction software market in the PRC with the growing demand for lower price products due to the expansion of small- and mid-sized commercial banks. With a long partnership history with foreign software brands, traditional distributors of foreign bank transaction software in the PRC have also gained sufficient knowledge and technical expertise to conduct research and development of local products. Nevertheless, there is still a gap between foreign and local brands in terms of their technical capabilities, reputations and etc. Therefore, the bank transaction software market in the PRC is still largely dominated by foreign brands, the top tier and large-sized commercial bank customers place a higher priority towards the quality of products compared to its price. Further, the long history of adopting the foreign software would make it difficult for the bank customers to change to the local brands if there is no major incentives or other push factors to do so.

INDUSTRY OVERVIEW

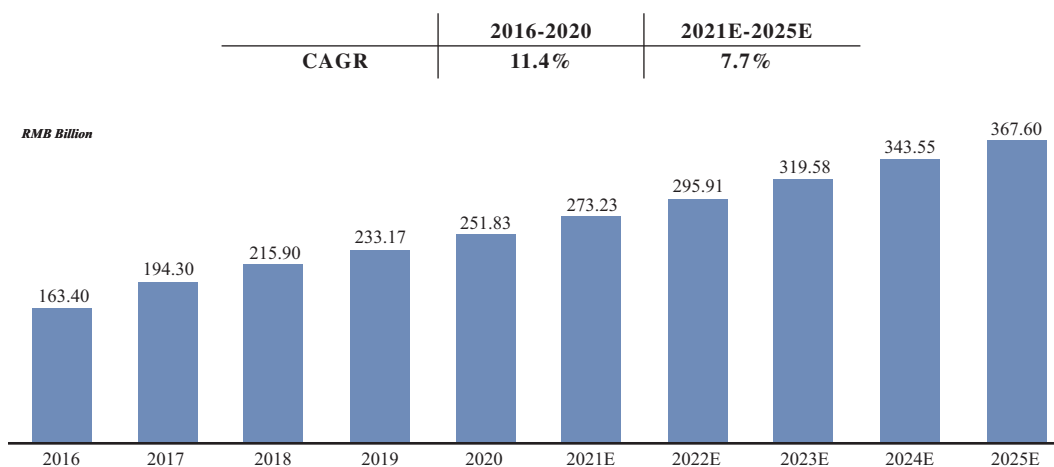
Although the demand from small- and mid-sized banks for local brand is increasing, they only account for a relatively small portion in the financial industry in terms of transaction value, which means that there is a relatively lower demand on the product of local brands compared to large-sized banks. In addition, small- and mid-sized banks are price sensitive, and many local brands are striving for their business since they cannot compete with foreign brand on large-sized customers. Hence, the intense competition among the local brands would mean that they have to reduce the price of their products and therefore, has a lower profit margin. While the market demand is low and there is a need to lower the price of the products, the initial costs for R&D investment and labor cost to retain top R&D talents remain high, which created a barrier for the traditional distributors to establish a sustainable financial model to develop local products. In light of the circumstances, the potential of the development and expansion of self-developed products from local brands would be limited.

Overview of the Financial Service Outsourcing Market

The outsourcing service has become increasingly popular in the PRC in recent years, especially in the industry with higher maturity, such as the financial service market. There is a growing number of market participants in the financial service market, which leads to intense competition in pricing and therefore there is a need to restructure the business model of the Company to sustain the profit margin of the business. Apart from the competition in pricing, the financial market is also getting more and more segmented as companies in the market focus on the development of their own strengths and specialties. The market trend of financial industry leads to the rise of outsourcing service providers.

Market Size of Financial Service Outsourcing Market in the PRC

Market Size of Financial Service Outsourcing Market in China, 2016-2025E



Source: Frost & Sullivan Analysis

INDUSTRY OVERVIEW

Qualitative Analysis of Market Trend

The market of financial service outsourcing market is expected to grow rapidly with the economic expansion of the PRC. The market size grew at a CAGR of 11.4% from 2016 to 2020. The growth is expected to continue at a milder pace during the forecasted period, which aligns with the maturity of the financial industry in the PRC. As the number of market participants in the financial industry continues to grow, intense competition would lead to a more rapid restructuring of the business model as well as cost reduction and investment expansion on the key strength of the respective market participants. This would also mean that there would be more partnership opportunities with outsourcing service providers as the market participants could outsource business segments that are of less importance to them to reduce their costs. Moreover, the financial outsourcing service providers have been gaining sufficient experience from forming partnerships with different companies in recent years and have been establishing more flexible business models, customised for the needs of financial companies. Leveraging the resources from different partnering companies, outsourcing service providers could offer services at a lower price which could be beneficial to the customers in the financial industry, especially towards the large-sized companies which need the outsourcing partners to strengthen the flexibility in their business models to better response to the market changes. On the other hand, there could also be strong potential demand for products and/or services from small- and mid-sized companies in the financial industry which has less capital and human resources for expanding their businesses. An outsourcing service provider would be able to provide a good leveraging platform and a more all-rounded solution for customers in the financial industry to grow more rapidly with less initial investment.

Different from the bank transaction software industry, where there is high reliance on R&D of their own products, which lead to high operational expenses on human resources due to the requirement of technical experts, the financial service outsourcing market requires less initial investment in the R&D and the service providers could leverage resources as well as experience gained from the companies they are partnering with. There is also less limitation on the growth of businesses for local brands, as the ability to adapt to local market is an advantage of a financial service provider in the PRC. Although there is a potential for market expansion, there will also be challenges that comes along with the increasing number of market participants and when the competition becomes more intense. Companies with a longer establishment history in the financial industry have great advantage, as they have established relationships and boarder industry network with different customers, which help to increase their customers' confidence towards their products and services. A longer establishment history for these market participants would also means that they are more experienced and have better industry know-how, more familiar with the industry regulations, as well as knowing their customers' needs when it comes to providing customized services.

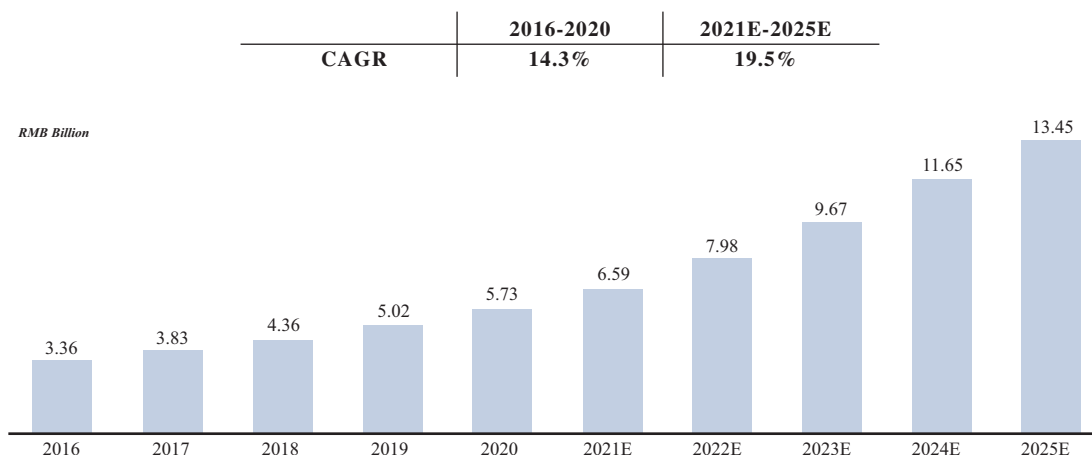
Overview of Payment Software System Market in the Financial Industry

Payment software is an important component to the back-end system of companies in any industry, especially in the banking and retail industry. With the rise of economy in the PRC and the advancement in technology, consumption behaviour of customers have been experiencing great changes, so as the market of payment software system in order to cope with the change in market trend and consumption patterns. While the convenience of payment could be the key focus on software development traditionally, a great variety of payment methods could be observed nowadays, as the market continues to provide more options to consumers. Continual shift of market paradigm could be expected with the rapid growth of the PRC economy, businesses also pursuit innovative payment products to make themselves standout from the crowd in the competitive consumer market.

INDUSTRY OVERVIEW

Market Size of Payment Software System Market in the Financial Industry in the PRC

Market Size of Payment Software System Market in China, 2016-2025E



Source: Frost & Sullivan Analysis

Qualitative Analysis of Market Trend

With the technology advancement and the change of consumer behavior in the PRC, there has been an increasing number of customers using banking services through online platforms, such as via mobile apps launched by banks or third-party payment system. The market size of payment software system market grew at a CAGR of 14.3% during 2016 and 2020, and the growth rate is expected to reach 19.5% from 2021 to 2025 due to the unmet demand for payment software and the requirement for continual upgrading of software system to cope with market dynamics in payment method. The change of market dynamics led to an upsurge of demand for online payment system development as well as its associated services, such as software installation, process optimization, and maintenance. The shift of market service from offline to online was further strengthened by the outbreak of COVID-19 when the mobility of people was limited and online platforms became the dominating approach to access banking service. While large banks might have already developed their own platform, opportunities arose from the need of upgrading and maintaining the payment software system due to the intense competition for higher quality payment service system among the top tier companies in the financial industry. With the high unmet demand for software system from small- and mid-sized banks which might not have their own payment systems, there could be a huge potential for companies to develop payment products that could fit the need of these companies. The intrinsic difference between the economic and developmental status in different regions of the PRC is also a key driver to the payment software system market in the financial industry. In order to achieve better integration of payment service in different regions, continual upgrading and development of payment products to achieve a seamless payment resolution and to resolve the key issues related to the distinction in consumption patterns among customers in different regions.

INDUSTRY OVERVIEW

The market of payment software system is not only driven by the increasing demand for payment software system in the financial industry due to the increasing number of customers that require the service, but also the need for businesses to provide innovative products to compete with their competitors in the market, where continual upgrade of payment products could increase customers satisfaction. One of the examples is the incorporation of big data analytics in achieving a more personalized payment experience for customers and facilitate companies in different segments in the financial industry to better understand their own customers, so as to improve their business models.

While it is foreseen that there would be a huge potential expansion in the market of payment software system in the financial industry in the PRC, there would also be intense competition with the growing market participants. It is also important for the companies in the financial market to ensure that their products are highly secured. Namely, the payment software system, which contains a great amount of personal data which could result in huge problems in case of data lost or leakage. The key success factor of the market participants in the market of payment software system lies in the ability to recruit sufficient number of talents for the development of innovative software system that can better accommodate the business needs of their customers, as well as the ability to establish secured database with the use of value-added service, such as artificial intelligence and big data in order to help company achieve better business performance. This would mean a high R&D investment for initial creation of products that can compete with other market participants, as well as a continual input of capital for product upgrading and improvement.

Evaluation of Three Business Segments of the Company

The three business segments that the Company engages in showed a growing market need, yet they have different growth rate in the forecasted period. During 2021 and 2025, the CAGR of bank transaction software market, financial service outsourcing market and payment software system market in the financial industry are 1.6%, 7.7% and 19.5% respectively. The growth rate of the bank transaction software market is the lowest among the three market segments as the market is relatively more mature and concentrated with traditional market participants. The other two segments have a higher growth rate and a huge unmet potential for business growth. In terms of the nature of business segment, the bank transaction segment focuses on serving commercial banking customers with the adoption of tradition business model of the market, which is the distribution of foreign transaction products that are highly preferred by top tier and large-sized commercial banks in the PRC. It is expected that the demand in the market will continue to be dominated by foreign brands in the near future as commercial banks have higher preference on foreign brands. However, the potential growth will be limited due to the high reliance on foreign partnerships and the progressive fulfillment of demand for new transaction system from major customers which are large-sized banks. Market demand from small- and mid-sized commercial banks will be largely shifted toward to the local brands, yet a gap in technology could be observed between foreign and local products. Time and huge investment would be needed for the development of local products to gain market share in the future in this segment. The other two segments of the Company, namely, financial service outsourcing service and payment software system in the financial industry have a boarder customer base in the overall market and thus they have more potential growth compared to the first segment. They are also less reliant on foreign partnerships and foreign brands for these two segments, as they would require the input and development of the Company leveraging its own resources, which means that there is a need for a more flexible business structure and faster rate of response to the customers' need.

The following is the text of a report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for inclusion in the announcement of the Company dated 26 March 2021 and this circular.



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 FINANCIAL ADVISER'S LETTER ON PROFIT FORECAST

The following is the text of a letter received from the Company's Financial Adviser for inclusion in the announcement of the Company dated 26 March 2021 and this circular.

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.

APPENDIX II FINANCIAL ADVISER'S LETTER ON PROFIT FORECAST

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

The following is the text of a report dated 5 May 2021 prepared for the purpose of incorporation into this circular received from Roma Appraisals Limited in connection with its opinion on the market value of 100% equity interest in Hangzhou HL as at 31 December 2020.



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[http:// www.romagroup.com](http://www.romagroup.com)

5 May 2021

Sing Lee Software (Group) Limited

32nd Floor, Morrison Plaza,
5-9A, Morrison Hill Road,
Wanchai, Hong Kong

Dear Sir/Madam,

Re: Valuation of 100% Equity Interest in 杭州恒新利融軟件有限公司

In accordance with the instructions from Sing Lee Software (Group) Limited (hereinafter referred to as the “Company”) to us to conduct a pro forma business valuation on 100% equity interest in 杭州恒新利融軟件有限公司 (hereinafter referred to as the “Hangzhou HL”), we are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing our valuation as at 31 December 2020 (hereinafter referred to as the “Date of Valuation”).

This report states the purpose of valuation, scope of work, economic overview, overview of Hangzhou HL, basis of valuation, investigation, valuation methodology, cash flow projection assumptions, information reviewed, limiting conditions, remarks and opinion of value.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. Roma Appraisals Limited (hereinafter referred to as the “Roma Appraisals”) acknowledges that this report may be made available to the Company for public documentation purpose only.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and on information provided by the management of the Company, the management of Hangzhou HL and/or their representative(s) (together referred to the “**Management**”).

In preparing this report, we have had discussions with the Management in relation to the development, operations and other relevant information of Hangzhou HL. In arriving at our opinion of value, we have relied on the completeness, accuracy and representation of operational, financial and other pertinent data and information of Hangzhou HL as provided by the Management to a considerable extent.

We have no reason to believe that any material facts have been withheld from us; however, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

We do not express an opinion as to whether the actual results of the business operation of Hangzhou HL will approximate those projected because assumptions regarding future events by their nature are not capable of independent substantiation.

In applying these projections to the valuation of Hangzhou HL, we are making no representation that the business expansion will be successful, or that market growth and penetration will be realized. In case of any change in the assumptions and projections, our opinion of value may vary materially.

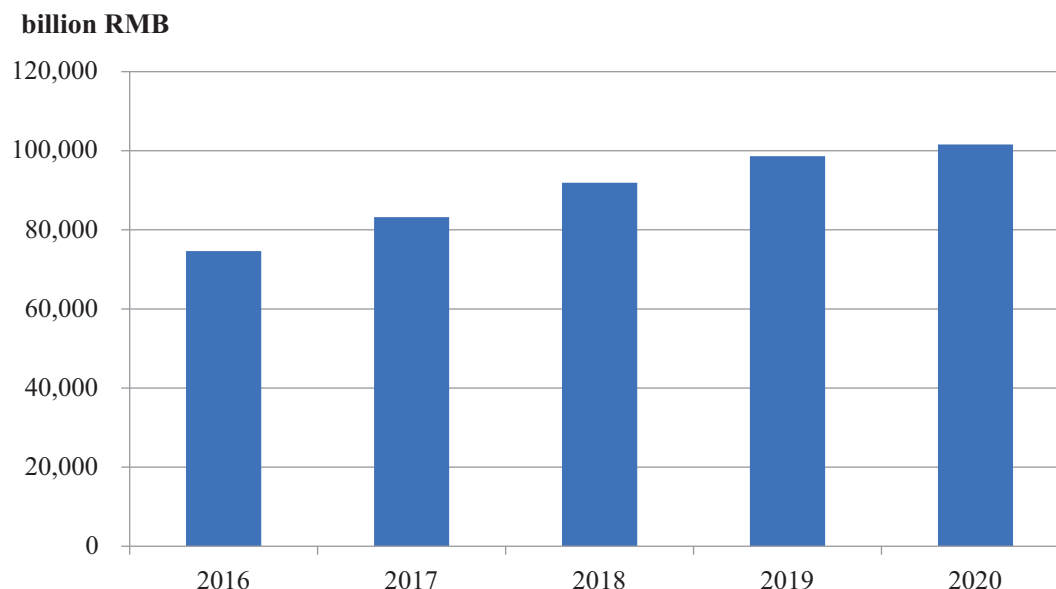
3. ECONOMIC OVERVIEW

3.1 Overview of the Economy in China

According to the National Bureau of Statistics of China, the nominal gross domestic product (“GDP”) of China in 2020 was RMB101,599 billion, a year-over-year nominal increase of 2.99% compared to 2019. China was the largest economy in the world, in terms of nominal GDP measured by the International Monetary Fund (“IMF”) in 2020. Despite the global financial crisis in late 2008, the Chinese economy continued to be supported by the Chinese government through spending in infrastructure and real estates.

Throughout 2009, the global economic downturn reduced foreign demand for Chinese exports for the first time in many years. The government vowed to continue reforming the economy and emphasized the need to increase domestic consumption in order to make China less dependent on foreign exports. China’s economy rebounded quickly in 2010, outperforming all other major economies with robust GDP growth and the economy remained in strong growth since 2011.

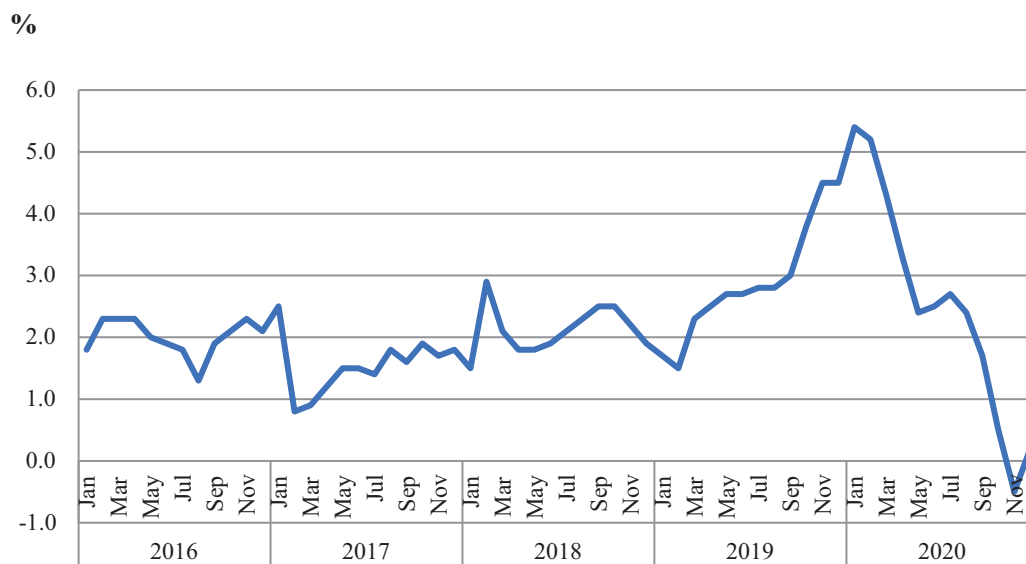
Over the past five years from 2016 to 2020, compound annual growth rate of China’s nominal GDP was 8.01%. An upward trend of China’s nominal GDP was observed from 2016 to 2020. Figure 1 illustrates the nominal GDP of China from 2016 to 2020.

Figure 1 - China's Nominal GDP from 2016 to 2020

Source: National Bureau of Statistics of China

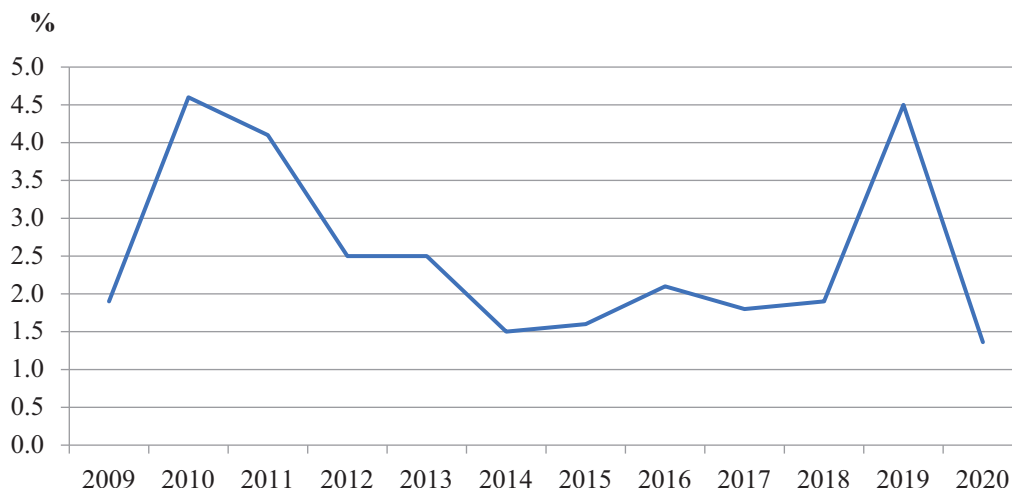
3.2 Inflation in China

Tackling inflation problem has long been the top priority of the Chinese government as high prices are considered as one of the causes of social unrest. For such a fast-growing economy, the middle-class' demand for food and commodities has been rising continuously. Inflation in China has been driven mainly by food prices, which have been stayed high in 2011. According to the National Bureau of Statistics of China, the consumer price index ("CPI") demonstrated an uptrend in the first half of 2011. During first half of 2015, the year-over-year change in CPI maintained at around 0.8% to 1.5%, and fluctuated around 1.3% to 2.0% in second half of 2015. In 2016, the year-over-year change in CPI dropped from 2.3% in January to 1.3% in August, but rose in the later months and arrived at 2.1% in December. In 2017, the year-over-year change in CPI dropped from 2.5% in January to 0.8% in February and increased to 1.8% in December. In 2018, the year-over-year change in CPI reached its peak at 2.9% in February but fluctuated around 1.8% to 2.1% in the middle of the year, it then rose again to 2.5% in September and fell back to 1.9% in December. In 2019, the year-over-year change in CPI increased from 1.7% in January to 4.5% in December. In 2020, the year-over-year change in CPI start out high at 5.4% in January, yet it significantly decreased down to 0.2% in December. Figure 2 shows the year-over-year change in CPI of China from January 2015 to June 2020.

Figure 2 - Year-over-year Change in China's CPI from January 2016 to December 2020

Source: Bloomberg

China's inflation rate was volatile during the past decade. According to the IMF, the inflation rate in China increased from 2.8% in 2006 to 6.5% in 2007, and then dropped to 1.2% and 1.9% in 2008 and 2009 respectively. The inflation rate increased to 4.6% in 2010 and maintained at 4.1% in 2011. The inflation rate dropped again to 2.5% in 2012 and 2013, and further to 1.5% in 2014. The inflation rate has been fluctuating in recent years. It started to climb in 2015 and 2016 from 1.6% to 2.1%, then decreased in 2017 to 1.8%, eventually rose again to 1.9% in 2018. In 2019, the inflation rate increased to 4.5%. The yearly inflation rate in China's is 1.36% in 2020. According to IMF's forecast, the long-term inflation rate of China is expected to be around 2.6%. Figure 3 shows the historical trend of China's inflation rate from 2009 to 2020.

Figure 3 - China's Inflation Rate from 2009 to 2020

Source: International Monetary Fund

4. OVERVIEW OF HANGZHOU HL

Hangzhou HL is a company incorporated in the PRC with limited liability on 20 January 2021. As at the Date of Valuation, Hangzhou HL has not carried out any business. After the assets and liabilities (hereinafter referred to as the “Assets and Liabilities”) are duly transferred from Hangzhou Singlee Technology Company Limited to Hangzhou HL (hereinafter referred to as the “Capital Injection”), Hangzhou HL shall commence the business of the development, sales, installation and the provision of services in relation to capital transaction related products (資金交易相關產品的研發、銷售、安裝及服務) (hereinafter collectively referred to as the “Target Business”). The Assets and Liabilities consist of various contracts, intangible assets (hereinafter referred to as the “Software”), accounts receivables, accounts payables and other payables in respect of the Target Business.

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

The valuation was based on a pro forma basis. It was assumed that the Assets and Liabilities were transferred to Hangzhou HL on the Date of Valuation and Hangzhou HL commenced operation immediately on the Date of Valuation.

5. BASIS OF VALUATION

Our valuation is conducted on a market value basis. According to the International Valuation Standards established by the International Valuation Standards Council in 2020, **market value** is defined as “estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

6. INVESTIGATION

Our investigation included discussions with members of the Management in relation to the development, operations and other relevant information of Hangzhou HL. In addition, we have made relevant inquiries and obtained further information and statistical figures regarding the economy in China as we considered necessary for the purpose of the valuation.

We have had discussions with the Management in relation to the development, operations and other relevant information of Hangzhou HL. We have also consulted other sources of financial and business information. In arriving at our opinion of value, we have relied on the completeness, accuracy and representation of operational, financial and other pertinent data and information of Hangzhou HL as provided by the Management to a considerable extent.

The valuation of Hangzhou HL requires consideration of all pertinent factors, which may or may not affect the operation of the business and its ability to generate future investment returns. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The nature and prospect of Hangzhou HL;
- The financial information of the Assets and Liabilities;
- The economic outlook in general and the specific economic environment and market elements affecting the business, industry and market;
- Relevant licenses and agreements; and
- The business risks of Hangzhou HL such as the ability in maintaining competent technical and professional personnel.

7. VALUATION METHODOLOGY

There are three generally accepted approaches to obtain the market value of Hangzhou HL, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

7.1 Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities that have been sold recently.

The right transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

7.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

7.3 Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital (“equity and long term debt”). Under the Asset-Based Approach, the market value of equity of a business entity/group refers to the market values of various assets and liabilities on the statement of financial position of the business entity/group as at the measurement date, in which the market value of each asset and liability was determined by reasonable valuation approaches based on its nature.

7.4 Pro Forma Business Valuation

In the process of valuing Hangzhou HL, we have taken the Assets and Liabilities into account and conducted discussions with the Management to understand the status and prospect of Hangzhou HL and the software industry it is participating. Also, we have considered the accessibility to available data and relevant market transactions in choosing among the valuation approaches.

The Market-Based Approach was not adopted in this case because most of the important assumptions of the comparable transactions, such as discount or premium on the transaction prices or considerations, were unavailable. The Asset-Based Approach was also not adopted because it could not capture the future earning potential and thus market value of Hangzhou HL. We have therefore considered the adoption of the Income-Based Approach in arriving at the market value of Hangzhou HL.

7.4.1 *Discounted Cash Flow*

Under the Income-Based Approach, we have adopted the discounted cash flow (“DCF”) method, which is based on a simple reversal calculation to restate all future cash flows in present terms. The expected free cash flow for each year was determined as follows:

$$\text{Expected Free Cash Flow} = \text{Net Profit} + \text{Depreciation} / \text{Amortisation} - \text{Change in Net Working Capital} - \text{Capital Expenditure}$$

The present value of the expected free cash flows was calculated as follows:

$$\text{PVCF} = \text{CF}_1/(1+r)^1 + \text{CF}_2/(1+r)^2 + \dots + \text{CF}_n/(1+r)^n$$

In which

PVCF = Present value of the expected free cash flows;

CF = Expected free cash flow;

r = Discount rate; and

n = Number of years.

To adopt this method, we obtained the weighted average cost of capital (“WACC”) of Hangzhou HL as a basic discount rate. WACC of Hangzhou HL is the minimum required return that Hangzhou HL must earn to satisfy various capital providers including shareholders and debt holders. WACC calculation takes into account the relative weights of debt and equity. It is computed using the formula below:

$$\text{WACC} = W_e \times R_e + W_d \times R_d \times (1 - T_c)$$

In which

R_e = Cost of equity;

R_d = Cost of debt;

W_e = Weight of equity value to enterprise value;

W_d = Weight of debt value to enterprise value; and

T_c = Corporate tax rate.

7.4.2 *Cost of Debt*

The cost of debt was determined by the expected borrowing rate of Hangzhou HL to finance Hangzhou HL. Since the interest expenses paid on debts are tax-deductible for Hangzhou HL, the cost of Hangzhou HL to get debt funds is less than the required rate of return of the suppliers of the debt capital. The after-tax cost of debt was calculated by multiplying one minus the corporate tax rate by the cost of debt.

7.4.3 *Cost of Equity*

The cost of equity was determined using the Capital Asset Pricing Model (“CAPM”), which describes the relationship between the risk of Hangzhou HL and expected return to investors. It is calculated by the following formula:

$$R_e = R_f + \beta \times \text{Market Risk Premium} + \text{Size Premium} + \text{Other Risk Premium}$$

In which

R_e = Cost of equity;

R_f = Risk-free rate; and

β = Beta coefficient.

7.4.4 *Discount Rate*

In the process of determining the WACC, we adopted several listed companies with similar business scopes and operations to Hangzhou HL as comparable companies. The comparable companies were selected mainly with reference to the following selection criteria:

- The companies have more than 50% revenue generated from software development or technical support service primarily for financial institutions in China;
- The companies have sufficient listing and operating histories of at least 3 years; and
- The financial information of the companies is available to the public.

Details of the comparable companies adopted were listed as follows:

Company Name	Stock Code	Listing Location	Business Description
Shenzhen Ysstech Info-tech Co Ltd	300377.CH	China	Shenzhen Ysstech Info-tech Co., Ltd provides software solutions for the financial industry in the PRC.
Sunyard Technology Co Ltd	600571.CH	China	Sunyard Technology Co.,Ltd. develops application software for financial institutions and sells related hardware products. The company's products include electronic file image systems, customer service center systems, electronic banking systems, and information security products. The company markets its products throughout China.
Yunnan Nantian Electronics Information Co Ltd	000948.CH	China	Yunnan Nantian Electronics Information Co., Ltd. manufactures financial service equipment, develops computer software, and provides system integration and networking engineering services. The company's products include deposit book printers, magnetic card read-write equipment, automated teller machines, and other financial service equipment.
Client Service International Inc	300663.CH	China	Client Service International, Inc. develops and distributes software products. The company produces financial software products and offers consultancy services. The company serves customers in China.
Shenzhen Sunline Tech Co Ltd	300348.CH	China	Shenzhen Sunline Tech Company Limited provides IT solutions and services, computer software and hardware technology development, technical services and systems integration. The company's main products include business, management, and channel classes IT solutions.

Source: Bloomberg

Below is the summary of the key parameters of the WACC of Hangzhou HL adopted as at the Date of Valuation:

Key Parameters	As at 31 December 2020
a) Risk-free Rate	3.15%
b) Market Risk Premium	6.26%
c) Beta Coefficient	1.28
d) Size Premium	3.21%
e) Other Risk Premium	1.00%
f) Cost of Equity	15.34%
g) Cost of Debt	5.90%
h) Weight of Equity Value to Enterprise Value	93.99%
i) Weight of Debt Value to Enterprise Value	6.01%
j) Corporate Tax Rate	25.00%
WACC	14.69%

Notes:

- a) The risk-free rate adopted was the yield rate of China 10-year government bond as at the Date of Valuation as extracted from Bloomberg.
- b) The market risk premium adopted was the market risk premium in the China stock market as at the Date of Valuation with reference to the country risk premium study published by Damodaran Online.
- c) The beta coefficient adopted was the average adjusted beta of the comparable companies as extracted from Bloomberg.
- d) The size premium adopted was the size premium for micro-cap companies with reference to the size premium study conducted by Duff & Phelps as at the Date of Valuation.
- e) The other risk premium adopted was to reflect the status and business risk of the Hangzhou HL as at the Date of Valuation.
- f) The cost of equity was determined based on Capital Asset Pricing Model ("CAPM").
- g) The cost of debt adopted was estimated with reference to China above 5-years benchmark lending rate as at the Date of Valuation plus other risk premium.
- h) The weight of equity value to enterprise value adopted was derived from the average debt-to-equity ratio of the comparable companies as at the Date of Valuation as extracted from Bloomberg.
- i) The weight of debt value to enterprise value adopted was derived from the average debt-to-equity ratio of the comparable companies as at the Date of Valuation as extracted from Bloomberg.
- j) The corporate tax rate adopted was the corporate tax rate in China.

Hence, we adopted the WACC of 14.69% for Hangzhou HL as at the Date of Valuation.

7.5 Marketability Discount

The marketability discount was the percentage difference between the private placement price per share and the market trading price per share. Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. We have made reference to the result of the restricted stock study (the “Research”) published in “Stout Restricted Stock Study 2020” by Stout Risius Ross, LLC, one of the national preeminent firms offering a broad range of financial advisory services to private and public companies.

According to the Research, a total of 759 private placement transactions of unregistered common stock issued by publicly traded companies from January 1980 through December 2020 with issuing companies trade on U.S. exchanges and file with the U.S. Securities and Exchange Commission (the “SEC”) were examined. With reference to the Research, we have adopted the median marketability discount for the 759 transactions of 15.80% in arriving at the market value of the Target Company as at the Date of Valuation. The median marketability discount was adopted to minimize effect of extreme data.

8. MAJOR ASSUMPTIONS

We have adopted certain assumptions in our valuation and the major ones are as follows:

- The valuation was based on a pro forma basis. It was assumed that the Assets and Liabilities were transferred to Hangzhou HL on the Date of Valuation and Hangzhou HL commenced operation immediately on the Date of Valuation;
- 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;
- 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;
- The valuation was primarily based on the financial projection of Hangzhou HL as at the Date of Valuation 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 materialised;
- Hangzhou HL would be operated and developed as planned by the Management throughout the forecasted period, and the development would be in line with the financial projection;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which Hangzhou HL operate or intend to operate would be officially obtained;

- There will be sufficient supply of technical staff in the industry in which Hangzhou HL operate, and Hangzhou HL will retain competent management, key personnel and technical staff to support its ongoing operations and developments until 2025;
- There will be no major change in the current taxation laws in the localities in which Hangzhou HL operate or intend to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major change in the political, legal, economic or financial conditions in the localities in which Hangzhou HL operate or intend to operate, which would adversely affect the revenues attributable to and profitability of Hangzhou HL; and
- Interest rates and exchange rates in the localities for the operation of Hangzhou HL will not differ materially from those presently prevailing.

9. CASH FLOW PROJECTION ASSUMPTIONS:

The assumptions in relation to the cash flow adopted in the valuation are as follows:

9.1 Useful Life of the Software

As discussed with the Management, the financial projection period shall end on the expiration date of the Software plus one to three years of additional service period. The estimated expiration dates of the Software were illustrated as follows:

Software*	Expiration Date
新利資管核算系統軟體V1.0	31 December 2022
新利金融同業業務管理系統軟體V2.0	31 December 2022
新利資金交易前置系統軟體V1.0	31 December 2023
新利線上線下一體化資金交易系統軟體V1.0	31 December 2023
新利金融大資料平臺系統軟體V1.0	31 December 2024
新利金融同業業務管理系統軟體V3.0	31 December 2024
新利資金業務服務平臺系統軟體V1.0	31 December 2024

**Note: As advised by the Management, there are 11 additional software to be transferred with zero carrying amounts as at the Date of Valuation and there is no future revenue to be generated throughout the projection period from those additional software.*

9.2 Revenue, Cost of Goods Sold and Operating Expenses

The 2021 projected revenue was estimated by the Management based on the existing contracts and new contracts to be signed. The projected revenue growth for 2022 was assumed to be 10% as estimated by the Management. The projected revenue growth will be further adjusted by the remaining useful life of the Software and market demands for the period from 2023 to 2025.

The projected costs of goods sold mainly consist of staff costs including salary expense of technical personnel and social security fund expense. A 5% annual growth rate was applied to the annual salary expense of technical personnel in 2021, 2022, 2023, 2024 and 2025. Social security fund expense was assumed to be 15% of the salary expense throughout the projection period;

The projected operating expenses mainly consist of staff costs including salary expense of sales personnel and other staff and social security fund expense. A 5% annual growth rate was applied to the annual salary expense of sales personnel and other staff in 2021 and 2022. From 2023 onwards salary expense of sales personnel and other staff were expected to decrease gradually until 2025 due to the estimated reduction of workforce based on the remaining useful life of the Software as advised by the Management. Social security fund expense was assumed to be 15% of the salary expense throughout the projection period.

10. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the market value of Hangzhou HL. The factors considered included, but were not necessarily limited to, the following:

- The carrying amounts of the Software, accounts receivables, accounts payables and other payables assumed to be transferred to Hangzhou HL as at 31 December 2020;
- Software certificates;
- Signed contracts in relation to the future revenue stream;
- Management's plan in relation to the future contracts to be signed in relation to the future revenue stream;
- The financial projections as provided by the Management;
- General descriptions in relation to Hangzhou HL; and
- Economic outlook in China.

We have discussed the details with the Management on the information provided and assumed that such information is reasonable and reliable. We have assumed the accuracy of information provided and relied on such information to a considerable extent in arriving at our opinion of value.

11. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events or circumstances have not been considered and we are not required to update our report for such events and conditions.

We would particularly point out that our valuation was based on the information such as company background and business nature of Hangzhou HL provided to us.

To the best of our knowledge, all data set forth in this report are assumed to be reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on the historical and/or prospective information provided by the Management and other third parties to a considerable extent in arriving at our opinion of value. The information has not been audited or compiled by us. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We assumed that the Management is competent and perform duties under the company regulation. Also, ownership of Hangzhou HL was in responsible hands, unless otherwise stated in this report. The quality of the Management may have direct impact on the viability of the business as well as the market value of Hangzhou HL.

We have not investigated the title to or any legal liabilities of Hangzhou HL, and have assumed no responsibility for the title to Hangzhou HL appraised.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

No change to any item in any part of this report shall be made by anyone except Roma Appraisals. We have no responsibility for any such unauthorized change. Neither all nor any part of this report shall be disseminated to the public without the written consent and approval of Roma Appraisals through any means of communication or referenced in any publications, including but not limited to advertising, public relations, news or sales media.

This report may not be reproduced, in whole or in part, and utilized by any third parties for any purpose, without the written consent and approval of Roma Appraisals.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fee has been paid in full.

12. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Company, Hangzhou HL and their associated companies, or the values reported herein.

13. OPINION OF VALUE

Based on the investigation stated above and the valuation method employed, the market value of 100% equity interest in Hangzhou HL as a pro forma basis as at the Date of Valuation, in our opinion, was reasonably stated as **RMB28,000,000 (RENMINBI TWENTY EIGHT MILLION ONLY)**.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

1. STATEMENT OF RESPONSIBILITY

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS**(a) Interests of Directors**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company and their associates in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long position in Shares and underlying Shares of the Company

Name of Directors	Capacity/ Nature of interests	Interests in ordinary Shares	Interest in underlying Shares of share options	Aggregate interests	Approximate percentage of the aggregate interests to the total issued share capital of the Company
Mr. Hung Yung Lai	Corporate interest	431,782,500 (Note 1)	—	431,782,500	32.78%
	Beneficial owner	73,517,500	—	73,517,500	5.58%
Mr. Hung Ying	Beneficial owner	14,547,500	3,862,822	18,410,322	1.40%
Mr. Lin Xue Xin	Beneficial owner	9,470,000	4,992,682	14,462,682	1.10%
Mr. Pao Ping Wing	Beneficial owner	—	307,606	307,606	0.02%
Mr. Thomas Tam	Beneficial owner	—	307,606	307,606	0.02%
Mr. Lo King Man	Beneficial owner	—	307,606	307,606	0.02%

Directors' interests in the associated corporation:

Name of Director	Long/ Short Position	Capacity/ Nature of interests	Name of the associated corporation	Number of ordinary shares held	Approximate percentage of total number of shares of the associated corporations (Note 2)
Mr. Hung Yung Lai	Long Position	Beneficial owner	Goldcorp Industrial Limited	1	50%

Notes:

1. The Shares were held by Goldcorp Industrial Limited. Mr. Hung Yung Lai has 50% interest in Goldcorp Industrial Limited.
2. The entire issued capital of Goldcorp Industrial Limited as of the Latest Practicable Date composed of 2 ordinary shares.

Save as disclosed above and in the sub-section headed "Share options", as at the Latest Practicable Date, none of the Directors or chief executives of the Company and their respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Interests of substantial Shareholders

As far as was known to any Director or chief executive of the Company, as at the Latest Practicable Date, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, or any other substantial Shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long position in Shares and underlying Shares of the Company

Name of Shareholders	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of the Company's issued share capital
Goldcorp Industrial Limited	Beneficial owner	431,782,500 (Note 1)	32.78%
Great Song Enterprises Limited	Beneficial owner	431,782,500 (Notes 1 and 2)	32.78%
Mr. Hung Yung Lai	Corporate interest	431,782,500 (Notes 2 and 4)	32.78%
	Beneficial owner	73,517,500	5.58%
Ms. Li Kei Ling	Corporate interest	431,782,500 (Notes 2 and 3)	32.78%
Mdm. Iu Pun	Family interest	505,300,000 (Note 5)	38.36%

Notes:

1. Goldcorp Industrial Limited is a limited liability company incorporated in the British Virgin Islands equally owned by Mr. Hung Yung Lai and Great Song Enterprises Limited which in turn is wholly owned by Ms. Li Kei Ling.
2. The Shares were held by Goldcorp Industrial Limited.
3. Ms. Li Kei Ling controls more than one third of the voting power of Great Song Enterprises Limited which in turn holds more than one third of the voting power of Goldcorp Industrial Limited. Ms. Li Kei Ling is deemed, by virtue of the SFO, to be interested in the same 431,782,500 Shares held by Goldcorp Industrial Limited.
4. Mr. Hung Yung Lai controls more than one third of the voting power of Goldcorp Industrial Limited. Mr. Hung Yung Lai is deemed, by virtue of the SFO, to be interested in the same 431,782,500 Shares held by Goldcorp Industrial Limited.
5. These Shares are beneficially owned by Goldcorp Industrial Limited as mentioned in Note 4 of above. Mr. Hung Yung Lai is deemed to be interested in the same 431,782,500 Shares held by Goldcorp Industrial Limited. Mdm. Iu Pun is the wife of Mr. Hung Yung Lai and is deemed to be interested in these Shares in which Mr. Hung Yung Lai is deemed or taken to be interested for the purpose of the SFO. She is also deemed to be interested in the 73,517,500 Shares beneficially owned by Mr. Hung Yung Lai for the purpose of SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors or chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or any other substantial Shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO.

3. SERVICE CONTRACTS OF DIRECTORS

As at the Latest Practicable Date, no Director had entered or intended to entered into a service contract with any member of the Group which is not expiring or terminable by the Group within one year without payment of compensation (other than statutory compensation).

4. MATERIAL CONTRACTS

Save for the Agreement, the Group has not entered into any contract (not being contract entered into in the ordinary course of business carried on or intended to be carried on by the Group) within the two years immediately preceding the date of this circular and which is or may be material.

5. FINANCIAL ADVISER

China Vered Securities Limited has been appointed as the financial adviser to advise the Company on the Disposal.

6. AUDIT AND RISK MANAGEMENT COMMITTEE

As at the Latest Practicable Date, the audit and risk management committee of the Company comprises three members, Mr. Pao Ping Wing, Mr. Thomas Tam and Mr. Lo King Man being all the independent non-executive Directors. The primary duties of the audit and risk management committee are mainly to review the financial information, oversight of financial reporting system, risk management and internal control systems, audit plan and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

Mr. Pao Ping Wing (“**Mr. Pao**”), *JP*, aged 73, was appointed as an independent non-executive Director in December 2003. In the past years, he had been actively serving on government policy committees and authorities, including those relating to town planning, urban renewal, public housing and environment matters. He has been appointed as a Justice of the Peace of Hong Kong since 1987. He was an ex-urban councilor. He obtained a Master of Science Degree in Human Settlements Planning and Development from the Asian Institute of Technology in Thailand in 1980. He was elected as one of the Ten Outstanding Young Persons of Hong Kong in 1982 and one of the Ten Outstanding Young Persons of the World in 1983. Mr. Pao is a Hon. Fellow of the Hong Kong Institute of Housing. He is an independent non-executive director of Oriental Press Group Limited, Capital Environmental Holdings Limited, Zhuzhou CRRC Times Electric Co., Ltd., Soundwill Holdings Limited and Maoye International Holdings Limited, all of which are listed on the Stock Exchange.

Mr. Thomas Tam, aged 73, an independent non-executive Director, is the fellow member of the Hong Kong Institute of Certified Public Accountants. He was the founding partner of Wongs & Tam, Certified Public Accountants, a public accounting firm in Hong Kong, set up in 1978 and is now a consultant of the accounting firm.

Mr. Lo King Man (“**Mr. Lo**”), *JP, SBS, BBS*, aged 83, an independent non-executive Director. Mr. Lo began his career in academic administration at the University of Hong Kong and became deputy director of the former Hong Kong Polytechnic in 1986. He was also appointed director of the Hong Kong Academy for performing arts in 1993. Mr. Lo is the Justice of Peace in Hong Kong, and he has an extensive record of public service. He has also served on the governing or executive bodies of numerous educational and cultural organizations. He was appointed as independent non-executive director of Chow Sang Sang Holding Int’l Ltd. in September 2004.

7. EXPERTS’ QUALIFICATIONS AND CONSENTS

The qualifications of the experts (the “**Experts**”) who have given their opinion and advice in this circular are as follows:

Name	Qualification
Roma Appraisals Limited	Professional valuer
Deloitte Touche Tohmatsu	Certified Public Accountants, Hong Kong Registered Public Interest Entity Auditors
China Vered Securities Limited	A corporation licensed 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) regulated activities under the SFO
Frost & Sullivan	Industry expert

As at the Latest Practicable Date, each of the Experts:

- (a) were not beneficially interested in the share capital of any member of the Group, and did not have any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group;
- (b) did not have any direct or indirect interest in any assets which had been, since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to, any member of the Group; and
- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and/or references to its name in the form and context in which they respectively appear.

8. DISCLOSURE OF OTHER INTEREST

As at the Latest Practicable Date:

- (a) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group; and
- (b) none of the Directors in this appendix had any direct or indirect interest in any assets which had been, since 31 December 2020 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group.

9. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates (as defined in the GEM Listing Rules) had any interest in any business, which competes or may compete, either directly or indirectly, with the business of the Group as if each of them were treated as a controlling Shareholder of the Company under the GEM Listing Rules.

10. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Upon Completion of the Disposal, the Company will focus more on developing its Remaining Businesses. The “Payment plus Outsourcing Services” remains as the core business of the Group. As the Group’s business platform evolved from traditional operations and the “Bank-School Express” remains as the Group’s main sources of big data, the Group has developed OFFLINE TO ONLINE (O2O), an operation and management model which was tailor-made for the Group, to extend the collaborative model with banks to other commercial banks. Meanwhile, the Group’s new business portfolio will be better aligned with the overall development of the financial environment of the PRC. The management of the Company will continue to implement stringent measures to monitor and control the operation costs, and strengthen the risk control over the overall business operations and various line of businesses of the Group in order to establish a virtuous cycle of identifying new and regular sources of income as well as lowering the operation costs.

11. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group, together with the accompanying notes, for each of the three years ended 31 December 2018, 2019 and 2020 are disclosed in the annual reports of the Company for the financial years ended 31 December 2018 (pages 85 to 212), 31 December 2019 (pages 86 to 216) and 31 December 2020 (pages 71 to 188), respectively, and are incorporated by reference into this circular.

The said annual reports of the Company are available on the Company's website at www.singlee.com.cn and the Stock Exchange's website at www.hkexnews.hk through the links below:

<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0328/gln20190328555.pdf>

<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0330/2020033001033.pdf>

<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0330/2021033001485.pdf>

12. INDEBTEDNESS STATEMENT

As at 31 March 2021, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had outstanding indebtedness as follows:

Borrowings

The Group had total borrowings with a carrying amount of approximately RMB39.9 million, comprising approximately RMB20.9 million of unsecured and unguaranteed loans from a director, approximately RMB4.0 million of unsecured and unguaranteed bank borrowings and approximately RMB15.0 million of secured and unguaranteed bank borrowings. Certain bank borrowings were secured by property, plant and equipment of the Group.

Lease Liabilities

The Group had lease liabilities of 1) approximately RMB500,000 which were secured by rental deposits of the Group and unguaranteed and 2) approximately RMB32,000 which were unsecured and unguaranteed.

Save as aforesaid or except for intra-group liabilities and normal trade payables, as at 31 March 2021, none of the members of the Group had (a) any debt securities issued and outstanding, and authorized or otherwise created but unissued; (b) any term loans; (c) any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptances credits or hire purchase commitments; (d) any debentures, mortgages or charges; or (e) any guarantee or any other finance lease commitments or other material contingent liabilities.

13. NO MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

14. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, in the absence of unforeseeable circumstances, after taking into account the Group's internal resources, available credit facilities and the estimated net proceeds of the Disposal, the Group has sufficient working capital for its present requirements and for at least the next 12 months from the date of this circular.

15. LITIGATION

As at the Latest Practicable Date, as far as the Directors are aware, neither the Company nor any member of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any member of the Group.

16. GENERAL

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda and the principal place of business of the Company in Hong Kong is located at 32nd Floor, Morrison Plaza 5-9A, Morrison Hill Road Wanchai, Hong Kong.
- (b) The branch share registrar of the Company in Hong Kong is Tricor Abacus Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The company secretary and Chief Financial Officer of the Company is Mr. Tong Tsz Kwan, who is a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. He is also a fellow member of The Institute of Chartered Secretaries and Administrators and a fellow member of The Hong Kong Institute of Chartered Secretaries.
- (d) The compliance officer of the Company is Mr. Hung Yung Lai, who is also an executive Director and chairman of the Board.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (i.e. from 9:30 a.m. to 6:00 p.m. from Monday to Friday) at the principal place of business of the Company in Hong Kong at 32nd Floor, Morrison Plaza 5-9A, Morrison Hill Road Wanchai, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2019 and 2020;
- (c) the written consent referred to in the paragraph headed “9. EXPERTS’ QUALIFICATIONS AND CONSENTS” in this appendix;
- (d) Deloitte’s Report on Profit Forecast;
- (e) Financial Adviser’s Letter on Profit Forecast;
- (f) the Valuation Report;
- (g) the Frost & Sullivan Report;
- (h) the Agreement; and
- (i) this circular.

NOTICE OF SPECIAL GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN THAT a special general meeting (the “**SGM**”) of the members (“**Members**”) of Sing Lee Software (Group) Limited (the “**Company**”) will be held at Unicorn & Phoenix, Basement 2, The Charterhouse, 209-219 Wanchai Road, Hong Kong, on 24 May 2021 (Monday) at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the conditional equity transfer agreement dated 26 March 2021 (the “**Agreement**”, a copy of which has been produced to the SGM marked “A” and signed by the chairman of the SGM for the purposes of identification), entered into between 杭州新利科技有限公司 (Hangzhou Singlee Technology Company Limited*)(the “**Transferor**”), 恒生電子股份有限公司 (Hundsun Technologies Inc.*) (the “**Transferee**”), and 杭州恒新利融軟件有限公司 (Hangzhou Hengxin Lirong Software Company Limited*)(the “**Hangzhou HL**”) in relation to the conditional disposal of Hangzhou HL by the Transferor to the Transferee and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any of the directors of the Company (the “**Director(s)**”) be and is hereby authorised to do all such further acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents, instruments and agreements (whether under common seal or not) and to take all steps and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Agreement and the transactions contemplated thereunder as he may in his absolute discretion consider necessary, desirable or expedient to give effect to the Agreement and the implementation of all transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole.”

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

Hong Kong, 5 May 2021

NOTICE OF SPECIAL GENERAL MEETING

Registered office:
Clarendon House
2 Church Street
Hamilton, HM11
Bermuda

Principal place of business in Hong Kong:
32nd Floor, Morrison Plaza 5-9A,
Morrison Hill Road
Wanchai, Hong Kong

Notes:

1. A Member entitled to attend and vote at the SGM convened by the above notice (“**Notice**”) or its adjourned meeting (as the case may be) is entitled to appoint one (or if he/she/it holds two or more shares in the share capital of the Company (“**Shares**”), more than one) proxy to attend and to speak at the SGM and, on a poll, vote on his/her/its behalf in accordance with the articles of association of the Company. A proxy need not be a Member.
2. A form of proxy for use at the SGM is enclosed with this Notice and is also available at the respective websites of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) and the Company.
3. To be valid, a form of proxy, duly signed and completed together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company’s Hong Kong branch share registrar, Tricor Abacus Limited (“**Registrar**”) at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not less than 48 hours before the time appointed for holding the SGM or its adjourned meeting (as the case may be) and in default, the form of proxy will not be treated as valid. Completion and return of the form of proxy shall not preclude Members from attending in person and voting at the SGM or at its adjourned meeting (as the case may be) should they so wish. In such case, the said form(s) of proxy shall be deemed to be revoked. The contact phone number of the Registrar is (852) 2980 1333.
4. For the purpose of ascertaining the entitlement of the Members to attend and vote at the SGM, the register of members of the Company will be closed from 21 May 2021 (Friday) to 24 May 2021 (Monday), both days inclusive, and no transfer of the Shares will be registered during such period. Members whose names appear on the register of members of the Company on 20 May 2021 (Thursday) will be entitled to attend and vote at the SGM. In order to be entitled to attend and vote at the SGM, all the relevant transfer document(s) and share certificate(s) must be lodged at the office of the Registrar not later than 4:30 p.m. on 20 May 2021 (Thursday) for registration.
5. Where there are joint registered holders of any Share, any one of such joint holders may attend and vote at the SGM or its adjourned meeting (as the case may be), either personally or by proxy, in respect of such Share as if he/she/it was solely entitled thereto; but if more than one of such joint holders are present at the SGM or its adjourned meeting (as the case may be) personally or by proxy, that one of such holders so present whose name stands first in the Register of Members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
6. In compliance with Rule 17.49(4) of the GEM Listing Rules, voting on the resolution proposed in this Notice will be taken by poll.
7. If a tropical cyclone warning signal No. 8 or above is hoisted or a black rainstorm warning signal is in force at any time after 7:00 a.m. on the date of the SGM, the SGM will be postponed and Members will be informed of the date, time and venue of the postponed SGM by a supplementary notice, posted on the respective websites of the Company and the Stock Exchange.

If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is lowered or cancelled at or before 7:00 a.m. on the date of the SGM and where conditions permit, the SGM will be held as scheduled.

The SGM will be held as scheduled when an amber or red rainstorm warning signal is in force.

Members should decide on their own whether they would attend the SGM under a bad weather condition after considering their own situations and if they do so, they are advised to exercise care and caution.

NOTICE OF SPECIAL GENERAL MEETING

8. Members are advised to read the circular of the Company dated 5 May 2021 which contains information concerning the resolution to be proposed at the SGM.
9. Considering the outbreak of the novel coronavirus (COVID-19), certain precautionary measures will be implemented at the SGM with a view to addressing the risk to attendees of infection, including the following:
 - a) all attendees will be required to undergo body temperature check. Any person with a body temperature of over 37.5 degrees Celsius will be denied entry into the SGM venue or be required to leave the SGM venue;
 - b) all attendees will be required to complete a health declaration form (a copy of the form is enclosed with the circular), which may be used for contact tracing, if required;
 - c) any attendees who are subject to health quarantine prescribed by the Government of the HKSAR will not be admitted to the venue of the SGM;
 - d) all attendees will be required to wear surgical face masks throughout the SGM and inside the SGM venue;
 - e) each attendee will be assigned a designated seat at the time of registration to ensure social distancing;
 - f) any person who does not comply with the measures above may be denied entry into, or be required to leave the SGM venue; and
 - g) no refreshments or beverages will be provided, and there will be no corporate gifts.
10. The Company reminds the Shareholders that they should carefully consider the risks of attending the SGM, taking into account their own personal circumstances. The Company would like to remind Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising their voting rights and **strongly recommends that Shareholders appoint the Chairman of the SGM as their proxy** and submit their form of proxy as early as possible. In light of the risks posed by the COVID-19 pandemic, the Company **strongly encourages Shareholders NOT to attend the SGM in person**.
11. The Company will keep the evolving COVID-19 situation under review and may implement additional measures (which it will announce closer to the date of the SGM).

* *The English transliteration of the Chinese name in this notice of SGM, where indicated, is included for information only, and should not be regarded as the official English name of such Chinese name.*