

**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 stockbroker 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 Link-Asia International MedTech Group Limited (the “Company”), 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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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.



**Link-Asia International MedTech Group Limited**

**環亞國際醫療科技集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1143)**

**DISCLOSEABLE TRANSACTION  
IN RELATION TO THE ASSIGNMENT OF  
AGENCY AGREEMENT INVOLVING  
THE ISSUE OF CONSIDERATION SHARES  
UNDER SPECIFIC MANDATE  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Capitalised terms used herein shall have the meanings set out in the section headed “Definitions” of this circular.

A notice convening an extraordinary general meeting (the “EGM”) of the Company to be held at Units 5906–5912, 59th Floor, The Center, 99 Queen’s Road Central, Hong Kong on Tuesday, 31 May 2022 at 2:00 p.m. is set out on pages 29 to 30 of this circular. A form of proxy for use for your Shareholders at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at level 54, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

This circular together with the form of proxy will be published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.link-asia.com.hk](http://www.link-asia.com.hk)).

**PRECAUTIONARY MEASURES FOR THE EGM**

Please see page 31 of this circular for measures being taken to try to prevent and control the spread of the Novel Coronavirus (COVID-19) at the EGM, including:

- compulsory body temperature checks
- submission of Health Declaration Form
- wearing of a surgical face mask for each attendee
- no distribution of corporate gift or refreshment

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company strongly recommends Shareholders that they may appoint the chairman of the EGM as their proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the EGM in person.

The Company will continue to closely monitor the COVID-19 situation in Hong Kong and will consider relaxing the aforementioned precautionary measures for the EGM as the Company considers appropriate.

13 May 2022

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## DEFINITIONS

*In this circular, the following terms and expressions shall have the following meanings unless the context otherwise requires:*

“Agency”	Mr. Sy Ming Yiu (施明耀先生), the agency appointed by Metash in accordance with the terms and conditions set out in the Agency Agreement
“Agency Agreement”	the agency distribution agreement entered into between Metash and the Assignor
“Assignee”	Link-Asia International Assisted Reproductive Technology Group Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Assignment”	proposed assignment of by the Assignor of all its rights, obligations, title, interest, and benefit in and to the Agency Agreement to the Assignee in accordance with the terms and conditions set out in the Deed of Assignment
“Assignor”	Mr. Sy Ming Yiu (施明耀先生)
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday and public holiday) on which banks in Hong Kong are open for business
“Business”	the business of sales and distribution of Products to be carried on by the Assignee
“CAGR”	the compound annual growth rate
“Company”	Link-Asia International MedTech Group Limited (Stock Code: 1143), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Assignment in accordance with the terms of the Deed of Assignment
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	HK\$37,800,000, being the consideration for the Deed of Assignment
“Consideration Shares”	230,000,000 new Shares to be allotted and issued by the Company to the Assignor (or his nominee) at the Issue Price for settlement of the Consideration

## DEFINITIONS

“Deed of Assignment”	a deed of assignment dated 18 January 2022 entered into between the Assignor, the Company and the Assignee pursuant to which the Assignee agreed to accept and the Assignor agreed to assign all its rights, obligations, title, interest, and benefit in and to the Agency Agreement to the Assignee
“Director(s)”	the director(s) of the Company
“Effective Date”	the date of Completion, which means the third (3) business days upon the last outstanding conditions precedent has been satisfied (or waived) or such other date as the Parties may agree in writing
“EGM”	the extraordinary general meeting to be convened and held for the Shareholders to consider and, if thought fit, pass the ordinary resolutions to approve, among other things, the Specific Mandate for the issue of the Consideration Shares
“Encumbrance”	being liens, charges, security interests, encumbrances, adverse claims, options and third party rights
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	the independent third party who is, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, independent of and not connected with the Company and the connected person(s) of the Company
“Independent Valuer”	Peak Vision Appraisal Limited, an independent professional valuer appointed by the Company for the valuation of the market value of the right to distribute the Products as stipulated in the Agency Agreement and Deed of Assignment
“Issue Price”	the issue price of approximately HK\$0.164 per Consideration Share
“Latest Practicable Date”	10 May 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Last Trading Day”	18 January 2022, being the last day of trading of Shares on the Stock Exchange before the publication of the announcement of the Company dated 18 January 2022 in relation to the Assignment

## DEFINITIONS

“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the date falling six months after the date of the Deed of Assignment (or such other date as the Parties may agree in writing)
“Metash”	Shanghai Metash Instruments Co., Ltd. (上海元析儀器有限公司), a corporation established under the laws of the PRC
“McMillan Woods”	McMillan Woods (Hong Kong) CPA Limited, the reporting accountant of the Company
“Minimum Revenue Guarantee”	revenue receivable by the Assignee arising from and under the rights, title, interest, and benefit in and to the Agency Agreement as assigned to the Assignee under the Assignment of an amount not less than HK\$145,000,000 in aggregate for the first three calendar years during the subsistence of the Agency Agreement
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Products”	a list of testing and measuring equipments pursuant to the Agency Agreement
“Parties”	the parties to the Deed of Assignment, which include the Company, the Assignor and the Assignee
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	holders of the Share(s)
“Specific Mandate”	the specific mandate to be granted to the Directors by the Shareholders to allot and issue the Consideration Shares at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation”	the market value of the right to distribute the Products as stipulated in the Agency Agreement and Deed of Assignment prepared the Independent Valuer showing the appraised value of approximately HK\$37,800,000
“%”	per cent.

LETTER FROM THE BOARD



**Link-Asia International MedTech Group Limited**

**環亞國際醫療科技集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1143)**

*Executive Directors:*

Mr. Lin Dailian (*Chairman*)

Mr. Wang Guozhen

Mr. Duan Chuanhong

Ms. Lin Xiaoshan

*Independent non-executive Directors:*

Mr. Li Huiwu

Mr. Yang Weidong

Mr. Chak Chi Shing

*Registered office:*

Windward 3

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PO Box 1350

Grand Cayman

KY1-1108

Cayman Islands

*Principal place of business  
in Hong Kong:*

Suites 3501 & 3513-14

35th Floor, Tower 6

The Gateway, Harbour City

Tsim Sha Tsui, Kowloon

Hong Kong

13 May 2022

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION  
IN RELATION TO THE ASSIGNMENT OF  
AGENCY AGREEMENT INVOLVING  
THE ISSUE OF CONSIDERATION SHARES  
UNDER SPECIFIC MANDATE  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 18 January 2022 in relation to the Assignment (the “**Announcement**”). On 18 January 2022 (after trading hours), the Assignee, the Company and the Assignor entered into the Deed of Assignment, pursuant to which the Assignee agreed to accept and the Assignor agreed to assign all its rights,

## LETTER FROM THE BOARD

obligations, title, interest, and benefit in and to the Agency Agreement to the Assignee at the Consideration of HK\$37,800,000, which will be settled by the allotment and issue of 230,000,000 Consideration Shares upon Completion.

The purpose of this circular is to provide the Shareholders with, among other things, further details of the Assignment; the Specific Mandate and the notice of the EGM.

### THE DEED OF ASSIGNMENT

#### Date

18 January 2022 (after trading hours)

#### Parties to the Deed of Assignment

- (i) Mr. Sy Ming Yiu (as the Assignor);
- (ii) Link-Asia International Assisted Reproductive Technology Group Limited, an indirect wholly-owned subsidiary of the Company (as the Assignee); and
- (iii) The Company

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Assignor is an Independent Third Party.

As at the Latest Practicable Date, save for the Assignment, the Company had not entered, or contemplated to enter, into any other arrangements, agreements, understanding and undertaking (whether formal or informal and whether express or implied) with the Assignor and/or his associate.

#### Principal terms of the Assignment

Pursuant to the Deed of Assignment, the Assignor has agreed to assign all its rights, obligations, title, interest, and benefit in and to the Agency Agreement to the Assignee, free from any Encumbrance, with effect from the Effective Date.

#### Consideration

The Consideration of HK\$37,800,000 shall be satisfied by the allotment and issue of 230,000,000 Consideration Shares by the Company to the Assignor (or its nominee) under the Specific Mandate at the issue price of approximately HK\$0.164 per Consideration Share upon Completion.

#### Basis of the Consideration

The Consideration was determined after arm's length negotiation between the Parties after taking into account including but not limited to (i) the factors stated in the paragraph headed "REASONS FOR AND BENEFITS OF THE ASSIGNMENT" in this circular; and (ii) the consideration stated in the paragraph headed "Basis of the Profit Forecast" in this

## LETTER FROM THE BOARD

circular; and (iii) the valuation of the Agency Agreement and the Deed of Assignment (collectively the “**Intangible Assets**”) prepared by the Independent Valuer showing the appraised value of approximately HK\$37,800,000.

In determining the Consideration, the Board had conducted (i) market research to assess the risk of having potential substitute or replacement of the Products; and (ii) secondary research on the overall laboratory equipment market and the financial performance of the market peers and competitors of Metash to assess the market demand of the Products. Based on market data, the technologies of a spectrophotometer and a microwave digestion system was invented in 1940 and 1987 respectively. Despite the market had seen a variety of advanced spectrophotometers and microwave digestion system with better efficiency and effectiveness over the past years, the core principles of a spectrophotometer and a microwave digestion system have not been changed substantially as compared to the first models and there hasn't been any substitutions that have seen to replace the technologies of spectrophotometers and microwave digestion system completely.

Based on market research, Metash had obtained eight patents for the technologies adopted in its products from 2012 to 2013 and had applied for 35 additional patents from 2020 to 2021. Pursuant to the Agency Agreement and Deed of Assignment, the Assignee is eligible for selling and distributing the entire product portfolio of Metash, of which 12 of the Products are newly launched by Metash in 2022 with the most updated designs and advanced technologies. The continuous effort and achievement of Metash in product development is expected to provide the Group with competitive advantages against other testing and measuring products in the market and hence the Board had taken into account and considered that the risk of having potential substitute or replacement of the Products in the market is relatively insignificant.

Based on the market reports, the general laboratory equipment market is predicted to grow by US\$8.63 billion from 2021 to 2025, progressing at a CAGR of approximately 8.9% annually. The market is expected to be driven by the increasing demand from quality testing and research laboratories and the growing adoption of miniaturized equipment. Asia Pacific is estimated to be the most opportunistic market from 2021 to 2030 due to (i) the favorable government regulatory frameworks that attract the investments of the pharmaceutical companies in the region and (ii) the increasing investments by the governments in the research and development of various vaccines. The market size of the laboratory equipment market in China (including Hong Kong and Macau) and Japan had accounted for approximately 15% and 11% of the global market respectively. The rising number of scientific companies and research organizations across the globe is estimated to foster the consumption of laboratory equipment and consumables in the forthcoming years, which will favor the sales of the Products. According to the annual report of the companies in the laboratory equipment industry, the average annual revenue growth rate of the international companies in the laboratory equipment industry for the past five to six years was approximately 36.4%, while the average annual revenue growth rate of the China-based companies in the laboratory equipment industry in the past four years was approximately 10.37% annually. The Board considered that the results of the overall laboratory equipment



## LETTER FROM THE BOARD

market and the competitors of Metash had provided meaningful comparative information and suggested that Products has a significant market demand and potential to achieve a growth in revenue.

As at the Latest Practicable Date, the Agency Agreement had not generated any historical revenue, however the Group had already identified five Hong Kong-based new customers who expressed interest and demand in procuring the Products (the “**New Customers**”). The Group had entered into two legally binding contracts and three non-legally binding letters of intent with the New Customers (collectively the “**Contracts and Letters**”). The Contracts and Letters are expected to be materialized during the first year upon Completion, expecting to secure a total revenue of approximately HK\$46.0 million for the Group in the first year of the profit forecast period for the five years ending 6 December 2026 (the “**Forecast Period**”). Having considered that the majority of the New Customers were referred by the Assignor, the Board is confident that the Assignor is capable to fulfil the Minimum Revenue Guarantee and to supply the Group with future opportunities.

Taking into account (i) the results of the overall laboratory equipment market and the competitors of Metash which suggested that Products has a significant market demand and potential to achieve a growth in revenue; and (ii) the Group had secured interest with the New Customer, expecting to generate a total revenue of approximately HK\$46.0 million for the Group, aligning with the profit forecast prepared by the Board, the Board is positive about the potential benefits that could be generated by the Assignment and therefore considered that Consideration is fair and reasonable and in the interests of the Company and its shareholders as a whole.

The decision to settle the Consideration in full by the Consideration Shares is determined after (i) arm’s length negotiation between the Parties, and (ii) consideration of the financial position of the Group.

As stated in the 2021 interim report of the Company for the six months ended 30 June 2021 (the “**2021 Interim Report**”), as at 30 June 2021, the Group had (i) trade receivables of approximately HK\$140.3 million; (ii) bank and cash balances of approximately HK\$208.6 million; (iii) trade payables of approximately HK\$59.5 million; (iv) accruals and other payables of approximately HK\$202.6 million; and (v) borrowings of approximately HK\$18.6 million. Assuming all trade receivables were duly received which, together with the bank and cash balances, were used to settle all trade payables, accruals and other payables and borrowings, the remaining financial resources available would be approximately HK\$68.2 million (the “**Available Fund**”).

In addition, as stated in the results announcement of the Company dated 22 November 2021 in relation to the Rights Issue and the prospectus of the Company dated 1 November 2021 in relation to the right issue, the Company raised a net proceed of approximately HK\$58.7 million from the right issue (the “**Net Proceeds**”). In particular, (i) approximately HK\$34.2 million of the Net Proceeds was intended to be utilised for the procurement of new products to expand the Group’s product range under the EMS and Distribution Products Businesses (the “**Net Proceeds for the Expansion of Product Range**”); (ii) approximately HK\$17.1 million of the Net Proceeds was intended to be utilised to fund a potential

## LETTER FROM THE BOARD

acquisition of a controlling stake in I.Baby Technology Holdings Limited (the “**Potential Acquisition**”) disclosed in the announcement of the Company dated 20 May 2021 in relation to the memorandum of understanding entered into between Link-Asia International Assisted Reproductive Technology Group Limited (a wholly-owned subsidiary of the Company), I.Baby Technology Investments Limited and I.Baby Technology Holdings Limited; and (iii) approximately HK\$7.4 million of the Net Proceeds was intended to be utilised as general corporate and working capital purposes.

As at the date of the Announcement, (i) approximately HK\$11.1 million of the Net Proceeds for the Expansion of Product Range has been utilised and the remaining Net Proceeds for the Expansion of Product Range of approximately HK\$23.1 million is expected to be fully utilised by the Group to procure new products related to beauty care and medical electronic by 30 September 2022; (ii) approximately HK\$17.1 million of the Net Proceeds was reserved by the Group to fund the Potential Acquisition; and (iii) approximately HK\$7.4 million of the Net Proceeds was fully utilised for general corporate and working capital purposes.

Based on the opening and ending inventory levels and cost of inventories, the Group's total purchases amounted to approximately HK\$446.7 million, HK\$440.9 million and HK\$261.8 million, for the two years ended 31 December 2020 and the six months ended 30 June 2021, respectively, which could be translated into approximately HK\$37.2 million, HK\$36.7 million and HK\$43.6 million per month (i.e. approximately HK\$39.2 million per month on average), respectively. During the same periods, the total employee benefits expenses (excluding equity-settled share-based payments) amounted to approximately HK\$212.3 million, HK\$178.8 million and HK\$93.4 million, translating into approximately HK\$17.7 million, HK\$14.9 million and HK\$15.6 million per month (i.e. approximately HK\$16.1 million per month on average), respectively.

Taking into account (i) the Available Fund only represents approximately 1.2 times the monthly average purchase and employee benefits expenses (i.e. approximately HK\$55.3 million per month in aggregate); (ii) the Net Proceeds is intended to be fully utilised by the Group for the purposes stated above; (iii) the uncertainty as to the timing of the settlement of trade receivables by the Group's customers; and (iv) other working requirements of the Group such as other selling and distribution and administrative expenses (e.g. research and development expenses), the Board considers that it is prudent for the Group to reserve its internal financial resources to support its daily operations and maintain a healthy cash flow level and that the available financial resources alone are not sufficient for the Group to settle the Consideration in full.

Based on the latest unaudited results of the Group for the year ended 31 December 2021, as at 31 December 2021, the Group had (i) trade receivables of approximately HK\$162.2 million; (ii) bank and cash balances of approximately HK\$145.6 million; (iii) trade payables of approximately HK\$58.7 million; (iv) accruals and other payables of approximately HK\$175.7 million; and (v) borrowings of approximately HK\$0.6 million. Assuming all trade receivables were duly received which, together with the bank and cash balances, were used to settle all trade payables, accruals and other payables and borrowings, the remaining financial resources available for the Group would be approximately HK\$72.8 million, represents only approximately 1.3 times the monthly average purchase and employee benefits expenses of

## LETTER FROM THE BOARD

approximately HK\$55.3 million per month. The Board considered that the overall business operation and financial position of the Group as at 31 December 2021 are consistent with those stated in the 2021 Interim Report of the Company and hence is of the view that the available financial resources alone are not sufficient for the Group to settle the Consideration in full.

Besides, the Board had also considered and evaluated alternative settlement methods. In particular, the Board considers that settling the Consideration by the bank and cash balance would reduce the Group's cash resources which in turn will hinder its flexibility and ability to improve the cash position for business development and operation of the Group. In respect of bank borrowings, the Board was of the view that debt financing may be subject to lengthy due diligence and negotiations, and it may also incur interest expenses which would increase the financial burden on the Group. Further, the Board had also explored equity financing methods such as placing of shares and open offer. As regards equity financing such as placing which would only be conducted on a best-effort basis, may impose uncertainty on the final amount of proceeds to be raised and subject to market condition, hence create concern on the Company's ability to raise sufficient funding for the settlement of the Consideration in full. The Board also considered that equity financing such as open offer will involve the issue of listing documents with other application and administrative procedures which may require relatively longer time and additional administrative cost to complete as compared to the equity financing by way of issuing of new Shares under the Specific Mandate. Overall, the Board was aware of the difficulties in attracting investors and the possibility of causing an even large dilution effect through the alternative equity financing methods.

Having taken into account the above factors and in particular, the fact that the proposed Assignment will (i) enhances the product portfolio of the EMS and Distribution Products Businesses of the Group, (ii) expand and diversify its income sources and at the same time preserving its cash resources for further business opportunities and working capital, the Board considers that the settlement of Consideration with Consideration Shares is in line with the business strategies of the Group and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Consideration Shares**

Pursuant to the Deed of Assignment, the Company will allot and issue 230,000,000 Consideration Shares at the Issue Price of approximately HK\$0.164 per Consideration Share, to the Assignor (or its nominee) upon Completion.

The Consideration Shares shall be allotted and issued pursuant to the Specific Mandate to be obtained from the Shareholders at the EGM, and such Specific Mandate shall not affect any general mandate which have been granted to the Directors. The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of allotment including the right to receive all dividends declared, paid or made by reference to a record date falling on or after the date of their registration in the Company's register of members. There is no restriction which applies to the subsequent sale of the Consideration Shares. An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

## LETTER FROM THE BOARD

The Issue Price of the Consideration Shares is approximately HK\$0.164 per Consideration Share which represents:

- (i) a premium of approximately 54.7% to the closing price of approximately HK\$0.106 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 7.3% to the closing price of approximately HK\$0.177 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 6.8% to the average closing price of approximately HK\$0.176 per Shares as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day;
- (iv) a discount of approximately 7.9% to the average closing price of approximately HK\$0.178 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to the Last Trading Day; and
- (v) a discount of approximately 58.6% to the audited consolidated net asset value per Share of approximately HK\$0.396 (based on the audited consolidated net asset value of the Group as at 31 December 2021 of approximately HK\$366.0 million and 924,363,855 Shares in issue as at the Latest Practicable Date).

The Issue Price was determined after arm's length negotiations among the Parties with reference to, among other things, the prevailing market price of the Shares. During the one month preceding the Last Trading Day, the average closing price of the Shares was approximately HK\$0.179, representing a premium of approximately 9.1% to the Issue Price, and the Shares were generally traded at a significant discount to the net asset value per Share. In the past three months preceding the Latest Practicable Date, the closing price of the Shares exhibited a general downward trend and ranged from the lowest of HK\$0.098 per Share on 4 May 2022 to the highest of HK\$0.154 per Share on 10 February 2022. The Board considered that when determining the Issue Price, it would be more appropriate to make reference to the prevailing market price of the Shares, which reflected the fair market value of the Shares traded on the Stock Exchange instead of making reference to the net asset value per Share. Having considered the above, the Board is of the view that the Issue Price and the above-mentioned discounts are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Consideration Shares, when allotted and issued, would represent approximately 24.9% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 19.9% of the issued share capital of the Company as enlarged by issue of the Consideration Shares.

## LETTER FROM THE BOARD

### Valuation

The Valuation was prepared using the excess earnings method under the income approach as at 31 December 2021, which has taken into account the discounted cash flow forecast of the Intangible Assets (the “**Profit Forecast**”). According to the valuation report, the market value of the Intangible Assets as at 31 December 2021 was in the sum of approximately HK\$37,800,000.

#### *(A) Valuation methodology*

In determining the valuation, the Valuer has considered three generally accepted valuation approaches, namely, the cost approach, the market approach and the income approach. As there are insufficient comparable transactions of similar types of intangible assets to form a reliable basis for the valuation, the Valuer considered the use of market approach to be inappropriate. The Valuer also considered the cost approach is not appropriate as it ignores the future economic benefits of the Intangible Asset. As a result, the Valuer has adopted the income approach in valuing the Intangible Assets. The income approach allows the Valuer to reflect the specific characteristics of an intangible asset and is being considered as a generally accepted approach to measure the economic benefits of an intangible asset. The excess earnings method determines the value of an intangible asset as the present value of the cash flows attributable to the subject intangible asset after excluding the proportion of cash flows that are attributable to other contributory assets. Taking into account the above considerations, the Board considers the bases and assumptions of the valuation method adopted in the Valuation is reasonable.

#### *(B) Basis of the Profit Forecast*

The Board forecasts the Business to generate a revenue of approximately HK\$46.0 million in the first year of the Forecast Period, mainly generated by the Contracts and Letters entered into between the Group and five potential customers with a total expected revenue of approximately HK\$46.0 million. The revenue is projected to grow at a rate of approximately 8% in the second year of the Forecast Period, determined with reference to the average historical growth rate of the industry in accordance to data published by several market research. The Board expects the Business to continue to grow at a declining rate of approximately 7%, 5% and 4% in the third, fourth and fifth year of the Forecast Period respectively, as the Board expects the market to become more mature gradually. As the Business continues, the Board expects the growth rate of the Business to continue to decrease and thereafter constantly growing at the inflation rate of 2.5% (i.e. the Hong Kong inflation rate is sourced from International Monetary Fund).

Besides, the Board had projected a cost of sales for the Forecast Period based on the product procurement cost which is calculated by the multiplication of the suggested purchase price of the Products with the quantity expected to be sold to the potential customer. The selling, general, and administrative expenses to sales ratio was projected to be within the range of 25% to 30% during the Forecast Period, which are determined with reference to the historical normalised selling and administrative expenses to turnover ratio of and provided by Metash. The Board expected the Business to incur

## LETTER FROM THE BOARD

more marketing expenses during the first few years of the Forecast Period given that the Assignee has just established and started developing the Business and thus an additional selling, general, and administrative expenses of approximately 1% to 5% is added to the first four years of the Forecast Period, until assuming the Business becomes mature in 2026.

Overall, the Board considers the bases and assumptions of (i) the revenue growth rates; (ii) cost of sales and (iii) operating expenses adopted in the Forecast Period are reasonable.

In determining the Profit Forecast, the Board had also taken into consideration the capital investment required for the development of the Business and the retainment of workers. The Board planned to allocate an internal funding of approximately from HK\$5.0 million to HK\$10.0 million to support the development of the Business and the recruitment of new workers. To procure the Products from Metash, the Assignee planned to first collect an upfront deposit of approximately 30% of the total procurement fee from the customers at the time of order confirmation, which is expected to cover the entire upfront purchasing cost charged by Metash. Pursuant to the Agency Agreement, Metash is only going to charge the outstanding purchasing cost upon delivery of the Products to the Assignee, which provide an additional time for the Assignee to collect the remaining fee from the customers to settle the outstanding payment owe to Metash. As such, the Board believes that the availability of finance will not be a constraint on the forecast growth of the operations of the Assignee and such assumptions adopted in the Valuation is reasonable. To retain the key management and workers of EMS and Distribution Products Businesses who will also be responsible for working for the Business, the Board planned to introduce incentive reward schemes that aims to provide commissions and discretionary bonuses to the workers based on their performance. The Board considers the incentive reward schemes can effectively motivate and retain the workers for the development of the Business, and such assumptions adopted in the Valuation is reasonable.

### ***(C) Principal assumptions of the Valuation***

Set out below are the principal bases and assumptions used in the Valuation:

- (i) the contractual parties of the Agency Agreement and the Deed of Assignment will act in accordance with the terms and conditions as stipulated in the corresponding agreements;
- (ii) the Intangible Assets will not be substituted or otherwise infringed upon in a manner that materially affects its economic benefit during the useful life of the Intangible Assets;
- (iii) for the Company using the Intangible Assets to continue as a going concern, the Company will successfully carry out all necessary activities for the development of its business;



## LETTER FROM THE BOARD

- (iv) the availability of finance will not be a constraint on the forecast growth of the operations of the Company using the Intangible Assets in accordance with the business plans and the projections;
- (v) market trends and conditions where the Company using the Intangible Assets operates will not deviate significantly from the economic forecasts in general;
- (vi) there will be no material changes in the business strategy of the Company using the Intangible Assets and its operating structure;
- (vii) the financial information of the Company using the Intangible Assets as supplied to us have been prepared in a manner which truly and accurately reflect the financial performances and positions of the Company as at the respective financial statement dates;
- (viii) key management, competent personnel and technical staff will all be retained to support the development of the Company using the Intangible Assets;
- (ix) interest rates and exchange rates in the localities for the operations of the Company using the Intangible Assets will not differ materially from those presently prevailing;
- (x) all relevant approvals, permits, registrations, licences or other legislative or administrative authority from any local, provincial or national government, or private entity or organisation required to operate in the localities where the Company using the Intangible Assets operates or intends to operate will be officially obtained and renewable upon expiry without any significant payment, unless otherwise stated; and
- (xi) there will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Company using the Intangible Assets operates or intends to operate, which will adversely affect the revenues and profits attributable to the Company using the Intangible Assets.

Set out below are the principal bases and assumptions used in the Profit Forecast by the Board:

- (i) revenue in 2022 was determined with reference to the letters of intent entered into between the Group and its customers with the total sales of around HK\$46.0 million, which was approximated to the projected revenue in 2022;
- (ii) revenue in 2023 was projected based on a growth rate of 8%, whereas the revenue growth rates in 2024, 2025 and 2026 were assumed to decline gradually to approximately 7%, 5% and 4% respectively;
- (iii) a constantly growth at the inflation rate of 2.5% on revenue was assumed after 2026;

## LETTER FROM THE BOARD

- (iv) cost of sales was determined based on the production procurement cost which are calculated by multiplying the purchase price of the Products from Metash with the quantity to be sold;
- (v) other operating expenses such as the selling, general and administrative expenses were determined with reference to the historical normalized selling and administrative expenses to turnover ratio of Metash;
- (vi) the fixed asset value and working capital value were determined with reference to the fixed assets to sales and working capital to sales ratios of a list of comparable companies which are mainly engaged in the wholesale of industrial goods; and
- (vii) the value of the assembled workforce was estimated based on two months' staff cost incurred by the underlying business.

As the Valuation is conducted based on the income approach, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules and accordingly, the requirements under Rules 14.60A and 14.62 of the Listing Rules are applicable.

### ***(D) Letter from the Company's reporting accountant***

McMillan Woods has reviewed the arithmetical calculations and the compilation of the Profit Forecast and is of the opinion that, so far as the calculations are concerned, the Profit Forecast, has been properly compiled in all material respects in accordance with the bases and assumptions adopted. The Profit Forecast does not involve the adoption of any accounting policies.

### ***(E) Letter from the Board***

The Board has reviewed and considered the Valuation including the bases and assumptions upon which the Valuation was based. The Board has also considered the letter from the Company's reporting accountant (the "**Letter from McMillan Woods**"). On the basis of the foregoing, the Board is of the opinion that the Valuation prepared by the Independent Valuer has been made after due and careful enquiry and the Board issued a letter to the Stock Exchange (the "**Letter from the Board**") accordingly.

The Letter from the Board and the Letter from McMillan Woods are included in Appendix I and Appendix II, respectively, to this circular for the purposes of Rules 14.60A and 14.62 of the Listing Rules. The Company has submitted the Letter from the Board and the Letter from McMillan Woods to the Stock Exchange in compliance with Rules 14.62(2) and (3) of the Listing Rules.



## LETTER FROM THE BOARD

### Experts and Consents

The qualifications of the experts who have given their statements in this circular are as follows:

Name	Qualification
Peak Vision Appraisals Limited	Independent Valuer
McMillan Woods (Hong Kong) CPA Limited	Certified Public Accountants

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Independent Valuer and McMillan Woods is an Independent Third Party. As at the Latest Practicable Date, none of the Independent Valuer and McMillan Woods has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and not connected persons.

Each of the Independent Valuer and McMillan Woods has given and has not withdrawn its written consent to the publication of this circular with the inclusion of its report, opinion and advice and all references to its name (including its qualification) in the form and context in which they respectively appears in this circular.

### Conditions precedent

Taking effect of the Assignment shall be conditional upon all of the following conditions precedent having been satisfied (or waived):

- (i) the Listing Committee of the Stock Exchange having granted listing of and permission to deal in, the Consideration Shares subject to the allotment and issue of the Consideration Shares (and such listing and permission not being subsequently revoked on or prior to the Effective Date);
- (ii) the approval by the Shareholders of the Company at an extraordinary general meeting approving (among other things) the issue and allotment of the Consideration Shares under the Specific Mandate having been obtained in accordance with the articles of association of the Company and applicable laws, regulations and rules (including but not limited to the Listing Rules) and remaining in full force and effect on the Effective Date;
- (iii) the necessary consents and approvals in relation to the issue of the Consideration Shares pursuant to the Specific Mandate, the Assignment, the Deed of Assignment and the transactions contemplated hereunder from the Stock Exchange, other administrative, governmental or regulatory authorities in accordance and compliance with the Listing Rules or any applicable laws, regulations and any other rules of the government or regulatory bodies having been obtained; and
- (iv) the warranties given by the Assignor remaining true, accurate and complete in all respects and not misleading in any respect as at the Effective Date.

## LETTER FROM THE BOARD

The Assignee may in its absolute discretion waive on such conditions as it may impose any of the above conditions or any part thereof (other than the conditions referred to in (i), (ii) and (iii)) at any time by notice to the Assignor. If any of the above conditions is not satisfied (or waived) on or before the Long Stop Date, the Deed of Assignment will lapse and neither party to the Deed of Assignment may have any claim against each other save for antecedent breaches.

The Assignor shall furnish such information, supply such documents and do all such acts and things as may be required by the Assignee, the Company and/or the Stock Exchange to facilitate the application to the Stock Exchange by the Company for the listing of, and permission to deal in, the Consideration Shares and the fulfilment of the conditions.

The Long Stop Date may be changed or postponed to other date as agreed between the Parties so that in case of any contingencies, the Parties can have the flexibility to do so without having to incur extra time and cost and enter into a new agreement.

The Company and the Assignee may agree to a postponement of the Long Stop Date to cater for any delay caused by administrative or technical reasons (such as when the Company needs more time to clear this circular with the Stock Exchange resulting in the delay in the despatch of this circular), or where any unforeseen circumstances necessitate the postponement of the Long Stop Date, but the Company and the Assignee will make further assessment based on the actual circumstances when any postponement is being proposed. As at the Latest Practicable Date, the Company and the Assignee do not have any intention to postpone the Long Stop Date.

In the event of any material postponement of the Long Stop Date, the Company will re-comply with the relevant Listing Rules requirements and seek Shareholders' approval again as appropriate.

As at the Latest Practicable Date, none of the conditions precedent above had been fulfilled.

### **Completion**

The Assignment shall become effective on the third (3rd) Business Day after the last of the outstanding conditions precedent has been satisfied (or waived) or such other date as the Parties may agree in writing.

On or before the Effective Date, the Assignor shall provide evidence satisfactory to the Assignee that written notice of assignment in relation to the Assignment, in form satisfactory to the Assignee, has been given by the Assignor to Metash.

Upon Completion, the Assignor will become a substantial shareholder (as defined under the Listing Rules) of the Company, holding approximately 19.9% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Assignor do not intend to appoint any representatives to the Board upon Completion.

## LETTER FROM THE BOARD

The Effective Date may be changed or postponed to other date as agreed between the Parties so that in case of any contingencies, the Parties can have the flexibility to do so without having to incur extra time and cost and enter into a new agreement.

The Company and the Assignee may agree to a postponement of the Effective Date to cater for any delay caused by administrative or technical reasons (such as when the Company needs more time to clear this circular with the Stock Exchange resulting in the delay in the despatch of this circular) or where any unforeseen circumstances necessitate the postponement of the Effective Date, but the Company and the Assignee will make further assessment based on the actual circumstances when any postponement is being proposed. As at the Latest Practicable Date, the Company and the Assignee do not have any intention to postpone the Effective Date.

In the event of any material postponement of the Effective Date, the Company will re-comply with the relevant Listing Rules requirements and seek Shareholders' approval again as appropriate.

### **Representations and warranties and undertakings**

The Assignor unconditionally and irrevocably represents and warrants to the Assignee and the Company that:

- (i) he has the right, power and authority to enter into, execute, deliver and perform the Deed of Assignment and that the Deed of Assignment (and its performance) has been duly authorised (such authorisation remaining in full force and effect) and executed by, and constitutes valid and legally binding and enforceable obligations of him;
- (ii) the entering into, execution, delivery and performance by the Assignor of the Deed of Assignment will not (i) conflict with or results in a breach or a default under any agreement, instrument, order, judgment or other restriction which binds the Assignor; or (ii) violate any law, rule or regulation of any jurisdiction to which it is subject in respect of the transactions contemplated hereunder;
- (iii) all information (whether oral, written, electronic or in any other form) provided by him to the Assignee and the Company for the purpose of or in connection with the transaction contemplated hereunder were, when supplied and published, true and accurate in all material respects and not misleading in any respect;
- (iv) he is entitled to assign, transfer or dispose all of its rights and obligations under the Agency Agreement to the Assignee in accordance with the terms thereof without the consent of Metash;
- (v) he is the legal and beneficial of all his rights, title, interest, and benefit in and to the Agency Agreement, free from Encumbrances, and the Agency Agreement is valid, enforceable and subsisting against the parties thereto;
- (vi) he will accept the Consideration Shares subject to the memorandum of association and articles of association of the Company;

## LETTER FROM THE BOARD

- (vii) he is taking up the Consideration Shares as a principal and not as agent or trustee for any other person;
- (viii) he does not hold or is not otherwise beneficially interested in any Shares;
- (ix) he is and will be a third party prior to the completion of the allotment and issue of the Consideration Shares in accordance herewith (i) independent of the Company's directors, chief executive or any of their respective associates, and (ii) independent of and not connected with the Company or the directors, chief executive or connected persons of the Company or any of their respective subsidiaries or any associates of any of them; and
- (x) he is and will be a third party (i) who is not, and who will not become after completion of the allotment and issue of the Consideration Shares in accordance herewith, core connected persons of the Company, (ii) whose taking up of the Consideration Shares has not been financed directly or indirectly by a core connected person, and (iii) who is not, and who will not become accustomed to take instructions from a core connected person in relation to the acquisition, disposal, voting or other disposition of securities of the Company registered in its name or otherwise held by it.

Each of the warranties given above shall:

- (i) be construed as separate and independent and shall not be limited by reference to any other provisions in the Deed of Assignment; and
- (ii) be made as of the date of the Deed of Assignment and be deemed to be repeated on the Effective Date immediately before the Assignment becoming effective and immediately before the completion of the allotment and issue of the Consideration Shares with reference to the facts and circumstances then existing.

The Assignor hereby further represents, warrants and undertakes to the Assignee and the Company as follows:

- (i) the Assignor hereby guarantees to the Assignee that the revenue receivable by the Assignee arising from and under the rights, title, interest, and benefit in and to the Agency Agreement as assigned to the Assignee under the Assignment shall be not less than HK\$145,000,000 in aggregate for the first three calendar years during the subsistence of the Agency Agreement, and in the event that the actual revenue received for any such year is lower than the Minimum Revenue Guarantee (as determined by the audited consolidated financial statements of the Company), the Assignor shall within three months upon demand of the Assignee (i) pay to the Assignee an amount equal to 15% of the such shortfall in cash; (ii) or purchase or procure third parties to purchase Products from the Assignee in a total amount equal to such shortfall so that the Minimum Revenue Guarantee can be satisfied;

## LETTER FROM THE BOARD

- (ii) the Agency Agreement shall remain valid and effective for the full term as stipulated therein and the Agency Agreement will not be terminated early without the written consent of the Assignee; and
- (iii) during the subsistence of the Agency Agreement, the Assignor shall not do or omit to do anything which might result in a material adverse effect to the rights, title, interest and benefit in and to the Agency Agreement as assigned to the Assignee under the Assignment.

### **Basis of the Minimum Revenue Guarantee**

The Minimum Revenue Guarantee of HK\$145.0 million is determined based on (i) the sum of the estimated turnover figure to be recorded in the first three years of the Forecast Period, which are expected to be approximately HK\$45.0 million, \$48.0 million and \$52.0 million respectively (after rounding); and (ii) the commercial negotiation among the Parties.

To support the development of the Business, the Board has requested the Assignor to provide the Minimum Revenue Guarantee to the Assignee, to ensure that the Assignor will continue to introduce customers to the Assignee in the first three years since the commencement of the Business (the “**First Three Years**”). The Board believes that the three-year period is reasonable and will provide sufficient time for the Assignee to (i) build its customer base and establish relationship with the customers introduced by the Assignor; and (ii) to establish a solid foundation for the Business. In the event that the Business is not developed as planned in the first three years and the Assignee has not generated an amount of revenue at least equivalent to the Minimum Revenue Guarantee, the shortfall can be recovered from the Assignor. By the end of the first three years, it is expected that the Assignee should have already developed their own customer network and the knowhow in promoting the Products, which will support the Business to continue to grow organically according to plan. Therefore, the Board is of the view that the Minimum Revenue Guarantee will serve as additional protection to the Group in the early stage of the development of the Business.

In the event that the Assignee fails to generate any revenue in the First Three Years, the Assignee will be entitled to demand (i) 15% of the shortfall from the Assignor in cash which equals to a maximum of approximately HK\$21.8 million (being equivalent to more than half of the amount of the Consideration of HK\$37.8 million); and (ii) the Assignor to purchase or procure third parties to purchase Products from the Assignee in a total amount equal to the shortfall, pursuant to the Minimum Revenue Guarantee. The cash compensation of approximately 15% of the shortfall of the Minimum Revenue Guarantee was determined after arm’s length negotiation among the Parties and was considered to be reasonable to reflect the commitment and responsibility of the Assignor to support the development of the Business in the First Three Years. Based on the discussion among the Parties, in the event the Assignor fails to pay the Assignee an amount equal to 15% of the shortfall in cash, the Assignor will arrange direct meetings to introduce new sales channel and potential customers to the Assignee actively and in a timely manner in order to fulfil the Minimum Revenue Guarantee.

Following the First Three Years, the Board expects the Assignee to have approximately seven years of remaining terms to act as (i) the exclusive agent to distribute the Product and offer after-sale service in Hong Kong and Macau; and (ii) the non-exclusive agent to

## LETTER FROM THE BOARD

distribute the Products and offer after-sale service in the regions of Asia outside the mainland China, except Hong Kong and Macau, to continue to generate income with the Business, provided that the Agency Agreement was expected to remain valid and effective for 10 years ending 6 December 2031 in accordance with the terms of the Agency Agreement as set out in the paragraph headed “Period of Validity” in this circular. Taking into account all the factors stated above, the Board considers the arrangement of the Minimum Revenue Guarantee is fair and reasonable and in the interests of the Company and its shareholders as a whole.

### THE AGENCY AGREEMENT

#### Date

7 December 2021

#### Parties to the Agency Agreement

- (i) Metash; and
- (ii) The Assignor (as the Agency).

#### Principal terms of the Agency Rights

Pursuant to the Agency Agreement, Metash (i) appointed the Assignor as its exclusive Agency and granted the Assignor the exclusive right to distribute the Products and the right for after-sale service in Hong Kong SAR and in Macau SAR and (ii) appointed the Assignor as a non-exclusive Agency and granted the Assignor the non-exclusive right to distribute the Products and the right for aftersale service in the regions of Asia outside the mainland China, except Hong Kong SAR and Macau SAR.

The Products comprises of ultraviolet spectrophotometer, visible light spectrophotometer, total organic carbon analyzer and microware digestion system, which are widely used in the environmental, food, cosmetics, pharmaceutical, life science and chemical fields.

In the event that the Agency fails reach a sales volume of HK\$5,000,000 within 24 months from effective date of the period of validity or does not generate any sales volume during the first year of the period of validity, Metash has the right to downgrade the Agency to a non-exclusive Agency within Hong Kong SAR and in Macau SAR.

#### Period of Validity

The Agency Agreement shall be effective from 7 December 2021 and continue in effect for five years to 6 December 2026. The Agreement shall be renewed and extended for another five years if no objection has been raised upon the end of the first five years period, i.e., the Agreement will expire at 6 December 2031 (the “**Period of Validity**”).

#### Termination

During the Period of Validity, the Agency Agreement may not be terminated by either party except as set out in the clause of force majeure.

## LETTER FROM THE BOARD

The Agency Agreement may however be terminated extraordinarily for a cause and with immediate effect by either party in cases in which a continuation of the Agency Agreement cannot be expected from the terminating party due to an important reason. In such case termination shall be effected by courier (with confirmation of receipt) or registered mail (return receipt requested) from the party that serves the written notice. In particular, the following shall be deemed as important reasons for an extraordinary termination:

- (i) non-settlement of overdue payments by the Agency within 90 days to be specified by Metash in writing; and
- (ii) the Agency shall be entitled to terminate the Agency Agreement unilaterally, provided that the Agency has not received the products which the payment of these products has been full settled within 90 days after receipt of the written notice from the Agency.

Upon termination of the Agency Agreement, Metash shall be entitled to reject the performance of any purchase orders agreed upon by the parties which were not yet performed by the date of such termination. Metash will return any prepayment to Agency within five working days after the date of such termination.

The Agency shall not be entitled to any compensation, indemnification or other claims against Metash arising from or in connection with the termination of the Agency Agreement. Moreover, neither the Agency nor Metash shall bear responsibilities for the other party's investment or expenses made in accordance with the Agency Agreement.

Upon termination of the Agency Agreement, all of the amounts that payable to Metash thereof shall immediately become due and settled; the products that owed by Metash shall be immediately delivered to the Agency.

### **Force Majeure**

In cases there is a natural disaster, civil chaos, war, terrorist attack, convulsion, commotion, strike, blockage, hash weather, fire, explosion, government behavior, or any other similar uncontrollable incidents that makes it impossible for one party to perform obligations pursuant to the Agency Agreement or delays the performance of such obligations (the “**Force Majeure**”), none of the parties shall be liable in relation thereto during the occurrence of the Force Majeure event. However, the affected party shall in time send a notice to the other party and continue to perform to the best of its capability.

### **Prohibition of Competition**

The Agency shall not manufacture any competitive products which essentially resemble the Products in terms of function and/or mode of operation which might be deemed fit to replace the respective Products during the Period of the Validity.

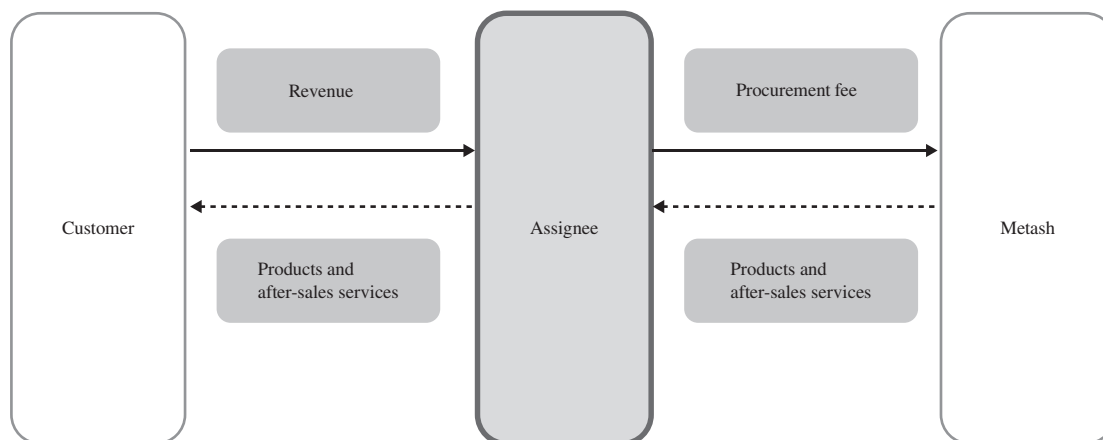


## LETTER FROM THE BOARD

In the event that the Agency breaches the terms of the Agency Agreement described in the paragraph headed “Prohibition of Competition” in this section, the Agency shall be deemed to give up the right of acting as an Agency, and Metash has the rights to withdraw the authorisation related to the distribution and right of after-sales under the Agency Agreement immediately.

### INFORMATION OF THE BUSINESS

The following chart summarizes the business activities and revenue model of the Business operating under the Agency Agreement and Deed of Assignment:



Under the Business, the Assignee would act as an agent to enter into procurement contract with the customer for the sales and distribution of Products and provision of after-sales services to the customer. The Assignee planned to expand and secure the customer base of the Business through conducting sales and marketing activities such as participating in exhibitions to promote the Products, and exploring potential business opportunities with the Group’s existing customers and the potential customers introduced by the Assignor.

Upon receiving order confirmation from the customer, the Assignee would (i) collect a deposit of approximately 30% of the total procurement fee from the customer; and (ii) place the purchase order with Metash. The deposit is expected to cover the entire upfront purchasing cost charged by Metash to the Assignee. Upon receiving the Products from Metash, the Assignee would (i) arrange delivery of Products and provision of after-sales services to the customer; and (ii) collect the remaining procurement fee from the customer to settle the outstanding payment owe to Metash.

With this business model, the Assignee would not be required to purchase any inventory from Metash before receiving the order confirmation and the upfront payment from the customer. As such, the Board considered that the business and revenue model of the Business is fair and reasonable and in the interests of the Company and its shareholders as a whole.



## LETTER FROM THE BOARD

### INFORMATION OF METASH

Metash, established in 2008, is a professional manufacturer based in China engaged in the research, development, production, sale and service of UV/VIS Spectrophotometers, TOC Analyzer and Microwave Digestion System. As at the Latest Practicable Date, Metash had cooperated with over 40 overseas distributors and the Products had been sold and exported to over 90 countries worldwide. Based on Metash's track record, it has been selling Products to overseas markets for 10 years and to Asia market for 8 years, which allows it to build a solid customer base around the world. Metash had established its brand reputation through participating in international exhibitions including the ACHEMA, the Beijing Conference and Exhibition on Instrumental Analysis, the ARABLAB and the Pittcon Conference and Expo etc.

### INFORMATION OF THE ASSIGNOR

The Assignor has a wealth of biotechnology expertise and senior management experience from two Hong Kong-based biotechnology companies, specialized in (i) providing genetic testing services for cancer patients; and (ii) selling testing and measuring products produced by reputable brands in the industry, respectively. With over 10 years of experience in the biotechnology industry, the Assignor had developed extensive customer base, solid business network and sound reputation in the Asia market through the sale and distribution of biotechnology products. The Assignor is also a member of various government committees, including the Advisory Committee for Technology Validation Initiative of HKSTP and the Hong Kong Elderly Welfare Foundation.

Before entering into the Deed of Assignment, the Board had conducted due diligence review on (i) the background and track record of the Assignor to secure customer orders for the Group; and (ii) the financial ability of the Assignor to fulfil the maximum shortfall of the Minimum Revenue Guarantee. According to the information, the Assignor is the Chief Clinical Development Officer and a shareholder of a Hong Kong-based company in the cancer genomics and bioinformatics industry (the "**Company A**") and the CEO of a Hong Kong-based biotechnology company (the "**Company B**"). Company A is an award-winning cancer solution provider established in 2014 and is specialized in selling testing and measuring products produced by reputable brands in the industry. Based on the valuation report performed by a global investment bank in December 2021, Company A had a valuation of approximately US\$280 million to US\$320 million, where the Assignor has a shareholding of approximately 1.0% in Company A (representing approximately US\$2.6 million to US\$3.0 million, translating into approximately HK\$20.4 million to HK\$23.3 million in value). In the event that the Assignor has not secured any customer orders for the Group and fails to fulfil the Minimum Revenue Guarantee, the Board considers that the Assignor will have the financial ability to fulfil the maximum shortfall of the Minimum Revenue Guarantee, in the event he was to sell his investment in Company A. The Board had also reviewed the historical sales record of Company B and confirmed that the Assignor has a proven track record in securing customer orders for the sales of testing and measuring products such as molecular diagnostic kits and COVID-19 antigen rapid test kit. Based on the due diligence results, the Board considered the Assignor has the capability and experience to secure customer orders for the Assignee to fulfil the Minimum Revenue Guarantee.

## LETTER FROM THE BOARD

### REASONS FOR AND BENEFITS OF THE ASSIGNMENT

The Group is principally engaged in (i) the provision of electronic manufacturing services (“**EMS**”); (ii) marketing and distribution of communication products; (iii) real estate supply chain services; (iv) assisted reproduction medical technology business; and (v) securities and other assets investment. The Group’s products under the EMS business and the business segment of marketing and distribution of communication products (collectively, the “**EMS and Distribution Products Businesses**”) include corded and cordless residential telephones and small and medium business phone systems, appliances and appliances control products, portable storage devices, multimedia products and beauty care equipment.

As stated in the 2021 Interim Report of the Company for six months ended 30 June 2021 (the “**Period**”), the Group recorded a revenue of approximately HK\$324.8 million for the Period, representing an increase of approximately 24.9% from approximately HK\$260.0 million for the six months ended 30 June 2020 (the “**Prior Period**”). Besides, the Group recorded a net loss of HK\$32.1 million for the Period, representing a decrease of approximately 54.1% compared to a net loss of approximately HK\$69.9 million recorded for the Prior Period. The overall improvement in the financial performance of the Group is greatly attributable to the increase in revenue contributed by the EMS and Distribution Products Businesses, which recorded total revenue of HK\$321.9 million for the Period, representing an increase of 30.3% from approximately HK\$247.0 million recorded for the Prior Period. While the market demand for the Group’s electronic products has started to recover, the Board has been actively exploring the potential opportunity in relation to the Assignment as a mean to expand its product offerings in the EMS and Distribution Products Businesses and capture the opportunities arising from the rebound in market demand and diversify its income sources.

According to the Agency Agreement, the Products comprises different models of testing and measuring electronic equipment which can be widely used in laboratories related to environmental, medical, healthcare food, cosmetics, pharmaceutical, life science, chemical and beauty field etc. including the (i) ultra violet visible spectrophotometer; (ii) TOC analyzer; and (iii) microwave digestion system. The product list represents all the electronic equipment currently launched by Metash.

Upon Completion, the sale and distribution of Products will form part of the EMS and Distribution Products Businesses. The Board expects the Assignment to synergize with the Group’s principal business in the following areas:

- (i) savings in cost and time for staff training and business development through optimization of the existing workforce and technology of the Group to support the Business;
- (ii) revenue synergy from cross-selling of electronic products and services offered by the Group to the existing and potential customer base; and
- (iii) revenue synergy by complementing the existing products portfolio and diversifies the revenue streams of the EMS and Distribution Products Businesses.

## LETTER FROM THE BOARD

The Group planned to reallocate the existing local management and sales teams of the Group from the EMS and Distribution Products Businesses based in Hong Kong and the Southeast Asia market to support the Business. The existing workers of the EMS and Distribution Products Businesses are experienced in the overall sales and distribution process, familiar with the Group's technology, internal policy and procedures and have gained valuable market insight in the consumer electronic market over the past years, which enables the Group to (i) save the significant training cost and the time required to develop suitable workers for conducting the Business; and (ii) enhances the overall employee efficiency and productivity of the Group by leveraging the same batch of workers for conducting the principal business of the Group and the Business. The Group also planned to advance its sales strategy by cross selling products to the existing customer base of the EMS and Distribution Products Businesses. With an enriched product offering through the Assignment, the Board expects the Group to generate an enlarged and diversified revenue base and expand its customer base.

The Board had also considered arrangements to support the Group to distribute and provide after-sale services for the Products. Pursuant to the Agency Agreement, the Group will receive trainings and instruction manuals from Metash to offer after-sale services to customers, such as responding to general customer's enquiry, providing support to customer to deal with general technical issues and assist the customer to seek for further technical assistance from Metash. Taking into consideration that the Group has existing workers from the EMS and Distribution Products Businesses that are familiar with the operation and handling of electronic products and had established aforesaid arrangements with Metash, the Board is positive about its ability to provide after-sale services to the customers.

Having considered that the Assignment is expected to (i) add competitive advantages to the Group through riding on the exclusive rights to conduct the sales of Products in the Hong Kong and Macau market; (ii) strengthen the market presence and expand the customer base of the Group; and (iii) enable the Assignee to capture the growth potential in the Asia market driven by the rising demand of laboratory equipment, the Board believed that the Assignment is conducive to the medium and long term development of the Group. Accordingly, the Board is of the view that the terms of the Deed of Assignment are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Board confirmed that the Assignee has obtained a business registration certificate in Hong Kong issued by the Inland Revenue Department, therefore is permitted to carry on the business of sales and distribution of Products in Hong Kong immediately upon the Completion. The Board will apply for the company registration certificates in other Asia markets for the Assignor if it decides to expand the business to other Asia markets in the future. Taking into account the Assignee has (i) fulfilled the licensing requirement to carry out business in Hong Kong; and (ii) reserved sufficient internal financial and human resources to conduct the business, the Board is of the view that the Assignee is well-prepared to conduct the sales and distribution of Products in Asia.

Given the significant demand in the Products observed in the Hong Kong market, the Group intended to allocate more manpower and resources to conduct sales and marketing activities in Hong Kong and will expand the management and sales team to strengthen the sales in the other markets in the Asia region gradually. The Group had planned to (i) organize

## LETTER FROM THE BOARD

regular exhibition during each quarter to display and promote the Products and introduce short-term discount program for customers; (ii) seek for potential collaboration opportunities with existing business partners to connect with the target customers of the Group; and (iii) participate in various industry related exhibitions such as Hong Kong Electronics Fair, organized by HKTDC, and other biomedicine and food chemical exhibitions organized in Macao, Southeast Asia and India etc. to further promote the Products to potential customers in the Asia region.

### EFFECTS ON THE SHAREHOLDING STRUCTURE

The following table summarises the shareholding structure of the Company as at the Latest Practicable Date and upon issuance of the Consideration Shares (assuming that there is no other change in the share capital of the Company prior to the Completion):

	As at the Latest Practicable Date		Immediately upon issuance of the Consideration Shares	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Power Port Holdings Limited (Note 1)	75,817,000	8.20	75,817,000	6.57
Keywan Global Limited (Note 2)	49,500,000	5.36	49,500,000	4.29
Assignor	—	—	230,000,000	19.92
Public Shareholders	<u>799,046,855</u>	<u>86.44</u>	<u>799,046,855</u>	<u>69.22</u>
Total	<u><u>924,363,855</u></u>	<u><u>100.00</u></u>	<u><u>1,154,363,855</u></u>	<u><u>100.00</u></u>

*Notes:*

1. Power Port Holdings Limited, which is a company incorporated in the British Virgin Islands, is wholly-owned by Ms. Yang Changrong.
2. Keywan Global Limited, which is a company incorporated in the British Virgin Islands, is wholly-owned by Mr. He Xiaoming.
3. The above table is for illustration purpose only assuming that there is no other change in the share capital of the Company prior to the Completion.

### LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) for the Assignment exceeds 5% but is below 25%, the Assignment constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**As Completion is conditional upon the satisfaction and/or waiver of the conditions precedent set out in the Deed of Assignment, the Assignment may or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company.**

## **LETTER FROM THE BOARD**

### **THE EGM**

The EGM will be held at Units 5906–5912, 59th Floor, The Center, 99 Queen's Road Central, Hong Kong on Tuesday, 31 May 2022 at 2:00 p.m., during which resolution will be proposed to the Shareholders to consider and, if thought fit, to approve the allotment and issuance of Consideration Shares under the Specific Mandate.

The notice of the EGM is set out on pages 29 and 30 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Pursuant to the Listing Rules, the consent of Shareholders in general meeting is required for the approval of the Specific Mandate. The EGM will be convened for the Shareholders to consider and, if thought fit, to approve the grant of the Specific Mandate.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the Assignment. As such, no Shareholder is required to abstain from voting at the EGM in respect of the resolution approving the grant of the Specific Mandate.

The resolution proposed to be approved at the EGM will be taken by poll and an announcement on the poll results of the EGM will be made by the Company after the EGM.

### **RECOMMENDATION**

The Board is of the opinion that the proposed allotment and issuance of Consideration Shares under the Specific Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommends the Shareholders to vote in favour of resolution proposed at the EGM.

## **LETTER FROM THE BOARD**

### **RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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.

By order of the Board

**Link-Asia International MedTech Group Limited**

**Lin Dailian**

*Chairman and executive Director*



**Link-Asia International MedTech Group Limited**

**環亞國際醫療科技集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1143)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of Link-Asia International MedTech Group Limited (the “**Company**”) will be held at Units 5906–5912, 59th Floor, The Center, 99 Queen’s Road Central, Hong Kong on Tuesday, 31 May 2022 at 2:00 p.m. to consider and, if thought fit, pass the following resolutions, with or without amendments, as ordinary resolution of the Company:

**“THAT**

- (a) the deed of assignment dated 18 January 2022, details of which are disclosed in the circular of the Company dated 13 May 2022 (the “**Circular**”) entered into amongst (i) the Company; (ii) Link-Asia International Assisted Reproductive Technology Group Limited, an indirect wholly-owned subsidiary of the Company, as the Assignee; and (iii) Mr. Sy Ming Yiu, as the Assignor, in relation to the Assignment (as defined in the Circular), a copy of which is marked “A” and signed by the chairman of the meeting for identification purpose and has been tabled at the meeting (the “**Deed of Assignment**”) at the consideration of HK\$37,800,000, which will be satisfied by the allotment and issue of the Consideration Shares (as defined in the Circular) by the Company and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) subject to and conditional upon The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Consideration Shares, the directors of the Company (the “**Directors**”) be and are hereby authorised to allot and issue the Consideration Shares at HK\$0.164 per Consideration Share in accordance with the terms and conditions of the Deed of Assignment, and that the Consideration Shares shall, when allotted and issued, be credited as fully paid and rank pari passu in all respects with all other shares of the Company in issue on the date of such allotment and issue;
- (c) subject to The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Consideration Shares, the Directors be and are hereby granted a specific mandate to allot and issue the Consideration Shares pursuant to the Deed of Assignment; and



## NOTICE OF EGM

- (d) any one or more Director(s) be and is/are authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he/she considers necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Deed of Assignment and all transactions contemplated thereunder and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided for in the Deed of Assignment) as are, in the opinion of such Director(s), in the interest of the Company and its shareholders as a whole.”

By order of the Board  
**Link-Asia International MedTech Group Limited**  
**Lin Dailian**  
*Chairman and executive Director*

Hong Kong, 13 May 2022

*Notes:*

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. A form of proxy for use of the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
4. In the case of joint holders of Shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such Shares as if he was solely entitled thereto, but if more than one such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.



## PRECAUTIONARY MEASURES FOR THE EGM

In light of the recent ongoing spread of Novel Coronavirus (COVID-19), the Company **will implement the following precautionary measures at the EGM in order to protect the health and safety** of all participants including the Shareholders, their proxies and other personnel (the “**Participants**”) in the EGM, including:

1. all the Participants will subject to compulsory body temperature checks;
2. all the Participants will be requested to submit health declaration forms;
3. **all the Participants will be requested of wearing of surgical face masks throughout the EGM. Any person who does not comply with this requirement may be denied entry into the EGM venue and be asked to leave the EGM venue. A safe distance between seats are also recommended;**
4. all Participants in the EGM shall use sanitiser to sanitise their hands at least once when they enter into the EGM venue, and when they leave after the EGM;
5. no beverage and refreshment will be served either during or after the EGM to avoid close contacts of the Participants during their attendance; and
6. other safety measures as appropriate.

Shareholders are reminded that any person who is subject to any Hong Kong Government prescribed quarantine, with fever or respiratory symptoms, a body temperature over 37.5 degree Celsius or without wearing a surgical face mask will not be given access to the venue of the EGM, which also means that you will not be allowed to enter the venue and attend the EGM.

The Company strongly recommends Shareholders that they may appoint the chairman of the EGM as their proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the EGM in person. Shareholders who choose to do so should take action as soon as possible to ensure the proxy instructions reach the Company’s Hong Kong branch share registrar not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjourned meeting thereof.

If Shareholders have any questions relating to the EGM, please contact Tricor Investor Services Limited, the Company’s Hong Kong branch share registrar and transfer office as follows:

Address:  
Level 54, Hopewell Centre,  
183 Queen’s Road East, Hong Kong  
Telephone: (852) 2980 1333  
Fax: (852) 2810 8185

**A. LETTER FROM THE BOARD**

*The following is the text of the letter from the Board, for inclusion in this circular.*

18 January 2022

Listing Division  
The Stock Exchange of Hong Kong Limited  
12/F, Two Exchange Square  
8 Connaught Place, Central  
Hong Kong

Dear Sirs,

**Discloseable Transaction in relation to the Assignment of Agency Agreement  
involving the Issue of Consideration Shares under Specific Mandate**

We refer to the announcement of the Link-Asia International MedTech Group Limited (the “**Company**”) dated 18 January 2022 (the “**Announcement**”) in relation to the caption transaction and the valuation of the Agency Agreement and the Deed of Assignment dated 18 January 2022 (the “**Valuation**”) prepared by Peak Vision Appraisal Limited (the “**Independent Valuer**”). Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings when used herein.

As the excess earnings method under the income approach was adopted in the Valuation, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules and accordingly, Rule 14.62 of the Listing Rules is applicable. The major assumptions upon which the Valuation is based has been set out in the section headed “Valuation” of the Announcement.

We have discussed with the Independent Valuer about different aspects including the bases and assumptions upon which the Valuation has been prepared, and reviewed the Valuation for which the Independent Valuer is responsible. We have also considered the report from our reporting accountants, McMillan Woods, regarding whether the Valuation was compiled properly so far as the calculations are concerned.

Pursuant to the requirements of Rule 14.62(3) of the Listing Rules, we are of the opinion that the Valuation prepared by the Independent Valuer has been made after due and careful enquiry.

Yours faithfully,  
For and on behalf of the Board of  
**Link-Asia International MedTech Group Limited**  
**Lin Dailian**  
*Chairman and executive Director*

**B. LETTER FROM MCMILLAN WOODS**

*The following is the text of the report from McMillan Woods (Hong Kong) CPA Limited, for inclusion in this circular.*



**INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE AGENCY DISTRIBUTION AGREEMENT ENTERED INTO BETWEEN SHANGHAI METASH INSTRUMENTS CO., LTD. AND MR. SY MING YIU (THE “AGENCY AGREEMENT”) AND THE DEED OF ASSIGNMENT ENTERED INTO BETWEEN MR. SY MING YIU AND LINK-ASIA INTERNATIONAL ASSISTED REPRODUCTIVE TECHNOLOGY GROUP LIMITED (THE “DEED OF ASSIGNMENT”)**

**TO THE BOARD OF DIRECTORS OF LINK-ASIA INTERNATIONAL MEDTECH GROUP LIMITED**

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the valuation (the “**Valuation**”) dated 18 January 2022 prepared by Peak Vision Appraisals Limited in respect of the appraisal of the (i) the exclusive right to distribute testing and measuring equipment products (the “**Products**”) and the right for after-sale service in Hong Kong SAR and in Macau SAR and (ii) the non-exclusive right to distribute the Products and the right for after-sale service in the regions of Asia outside the mainland China, except Hong Kong SAR and Macau SAR as at 31 December 2021 is based. The Products comprise of ultraviolet spectrophotometer, visible light spectrophotometer, total organic carbon analyzer and microwave digestion system, which are widely used in the environmental, food, cosmetics, pharmaceutical, life science and chemical fields. The Valuation is set out in the announcement of Link-Asia International MedTech Group Limited (the “**Company**”) dated 18 January 2022 (the “**Announcement**”). The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

**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 as set out in the section headed “Valuation” of the Announcement. 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 behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 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 Accountant’s Responsibilities**

It is our responsibility to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Agency Agreement and the Deed of Assignment.

We conducted our work in accordance with the 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 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, has been properly compiled in accordance with the bases and assumptions as set out in the section headed “Valuation” of the Announcement. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

**Opinion**

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows, has been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company as set out in the section headed “Valuation” of the Announcement.

**McMillan Woods (Hong Kong) CPA Limited**

Hong Kong, 18 January 2022

*The following is the text of a valuation report, prepared for the purpose of incorporation in this circular received from Peak Vision Appraisals Limited, an independent valuer in connection with the valuation of the Intangible Assets as at 31 December 2021.*



Unit 702, 7<sup>th</sup> Floor, Capital Centre  
No. 151 Gloucester Road  
Wanchai, Hong Kong  
www.peakval.com  
Tel (852) 2187 2238  
Fax (852) 2187 2239

The Board of Directors  
Link-Asia International MedTech Group Limited  
Suites 3501 & 3513–14, 35th Floor  
Tower 6, The Gateway  
Harbour City  
Tsim Sha Tsui, Kowloon  
Hong Kong

Dear Sirs,

Re: Valuation of the distribution rights as stipulated in an agency distribution agreement and a deed of assignment as at 31 December 2021

In accordance with your instruction, we have conducted a valuation of the market value of the exclusive right to distribute certain testing and measuring equipment in the Hong Kong Special Administrative Region (“**Hong Kong**”) and the Macau Special Administrative Region (“**Macau**”) and the non-exclusive right to distribute certain testing and measuring equipment in the region of Asia outside the People’s Republic of China (the “**PRC**”), Hong Kong and Macau as stipulated in an agency distribution agreement entered into between Shanghai Metash Instruments Co., Ltd. (“**Metash**”) and Sy, Ming Yiu (“**Mr. Sy**”) and a deed of assignment entered into among Mr. Sy, Link-Asia International Assisted Reproductive Technology Group Limited (the “**Business Enterprise**”) and Link-Asia International MedTech Group Limited (the “**Company**”) (together, the “**Agreements**” or the “**Intangible Assets**”), assuming that the deed of assignment had been entered into among Mr. Sy, the Business Enterprise and the Company as at 31 December 2021 (the “**Valuation Date**”).

According to our understanding, the Intangible Assets represent the rights to distribute certain testing and measuring equipment together with the related accessories and spare parts (the “**Products**”) as developed by Metash and provide the related after-sale services.

We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Intangible Assets as at 31 December 2021 (the Valuation Date).

This report states the purpose of valuation and basis of value, sources of information, identifies the subject valued, describes the methodology of our valuation, investigation and analysis, assumptions and limiting conditions, and presents our opinion of value.

## 1.0 PURPOSE OF VALUATION

This report is being prepared solely for the use of the directors and management (together, the “**Management**”) of Link-Asia International MedTech Group Limited (the Company) for internal reference and incorporation into the circular of the Company in connection with the proposed acquisition of the distribution rights to distribute certain testing and measuring equipment in Hong Kong, Macau and the region of Asia outside the PRC, as stipulated in the Agreements through its indirect wholly owned subsidiary, Link-Asia International Assisted Reproductive Technology Group Limited (the Business Enterprise). The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Peak Vision Appraisals Limited (“**Peak Vision Appraisals**”) acknowledges that this report may be used by the Company as one of the sources of information for the proposed acquisition of the Intangible Assets and may also be made available to the auditor of the Company for auditing reference only. The proposed acquisition, if materialised, and the corresponding transaction price would be the result of negotiations between the transacting parties. The Management should be solely responsible for determining the consideration of the proposed acquisition, in which Peak Vision Appraisals is not involved in the negotiation and has no comment on the agreed consideration. Peak Vision Appraisals assumes no responsibility whatsoever to any person other than the Management 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 on their own risk.

## 2.0 BASIS OF VALUE

Our valuation has been prepared in accordance with the HKIS Valuation Standards 2020 (the “**HKIS Valuation Standards**”) published by the Hong Kong Institute of Surveyors and the International Valuation Standards (Effective 31 January 2020) (the “**IVS**”) published by the International Valuation Standards Council and with reference to the Hong Kong Financial Reporting Standards (“**HKFRS**”) and Hong Kong Accounting Standards (“**HKAS**”), where applicable.

Our valuation is conducted on a market value basis. **Market Value** is defined as “the 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”.

In the course of our valuation, we were instructed by the Management to assume that the deed of assignment had been entered into among Mr. Sy, the Business Enterprise and the Company as at the Valuation Date.

### 3.0 SOURCES OF INFORMATION

In the course of our valuation, we have had discussion with the Management on the development of the Business Enterprise using the Intangible Assets. We have also relied on the following major documents and information in the valuation analysis. Some of the information and materials are furnished by the Management. Other information is extracted from public sources such as government sources, Refinitiv, Duff & Phelps, LLC, etc.

The major documents and information include the following:

- Agency distribution agreement (the “**Agency Agreement**”) entered into between Shanghai Metash Instruments Co., Ltd. (Metash) and Sy, Ming Yiu (Mr. Sy) dated 7 December 2021 and deed of assignment (the “**Deed**”) entered into among Mr. Sy, the Business Enterprise and the Company dated 18 January 2022 as provided by the Management;
- Background information of the Business Enterprise using the Intangible Assets provided by the Management;
- Operational information of the Business Enterprise using the Intangible Assets as discussed with the Management;
- Projections of the Business Enterprise using the Intangible Assets as prepared by the Management; and
- Industry and economic data.

As agreed with the Company, we have not been required to perform company visit of the Business Enterprise using the Intangible Assets. However, we consider that we have obtained adequate information from the sources described above to provide a reliable opinion of market value.

### 4.0 LIMITATIONS AND RELIANCE ON INFORMATION

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.

This report is based upon financial, business and other information provided by the Management. We have made reference to or reviewed the above information and data and assumed such information and data are true and accurate without independent verification except as expressly described herein. We have made reasonable enquiries and exercised our judgment on the reasonable use of such information and found no reason to doubt the accuracy or reliability of the information.

Preparation of this report does not imply that Peak Vision Appraisals has audited in any way the financial or other information in relation to the Intangible Assets. It is understood that the financial information provided is prepared in accordance with generally accepted



accounting principles and has been prepared in a manner which truly and accurately reflects the financial performances and positions of the Business Enterprise using the Intangible Assets as at the respective financial statement dates.

In arriving at our opinion of value, it is assumed that the projections provided to us are based on the assumptions reflecting the best available estimates, judgment and knowledge of the Management in relation to the proposed operations and are reasonable, reflecting market conditions and economic fundamentals. However, we do not express any opinion regarding the accuracy of the projections provided by the Management.

We do not express an opinion as to whether the actual results of the Business Enterprise using the Intangible Assets will approximate the projections because assumptions regarding future events by their nature are not capable of independent substantiation. We are making no representation that the operations of the Business Enterprise using the Intangible Assets will be successful, or that market growth and penetration will be realized.

## 5.0 INTANGIBLE ASSETS

The IVS defines an intangible asset as: “a non-monetary asset that manifests itself by its economic properties. It does not have physical substance but grants rights and/or economic benefits to its owner.” Furthermore, an intangible asset is defined as identifiable if it either:

- (i) is separable, i.e. capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or
- (ii) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

According to our understanding, the distribution rights to distribute certain testing and measuring equipment in Hong Kong, Macau and the region of Asia outside the PRC as stipulated in the agency distribution agreement and deed of assignment (the Agreements) are identified as the Intangible Assets for the valuation.

### 5.1 Background

On 7 December 2021, Shanghai Metash Instruments Co., Ltd. (Metash) and Sy, Ming Yiu (Mr. Sy) entered into an agency distribution agreement (the Agency Agreement), pursuant to which Metash (i) appointed Mr. Sy as its exclusive agent and granted Mr. Sy the exclusive right to distribute certain testing and measuring equipment together with the related accessories and spare parts (the Products) and provide after-sale service in Hong Kong and Macau and (ii) appointed Mr. Sy as its non-exclusive agent and granted Mr. Sy the non-exclusive right to distribute the Products and provide after-sale service in the regions of Asia outside the PRC, Hong Kong and Macau.

The Agency Agreement shall be effective from 7 December 2021 and continue in effect for 5 years and shall be renewed and extended for another 5 years if no objection has been raised from both parties upon the end of the first 5 years period. As such, the Agency Agreement shall expire on 6 December 2031.

Both parties agreed that if the sales volume from Mr. Sy fails to reach HK\$5 million within 24 months from the effective date of the Agency Agreement or there is no sales volume during the first year period under the Agency Agreement, Metash has the right to downgrade Mr. Sy to a non-exclusive agency within Hong Kong and Macau. For the avoidance of doubt, no minimum sales volume is required to the agent.

Subsequently, on 18 January 2022, Mr. Sy, the Business Enterprise and the Company entered into the deed of assignment (the Deed), pursuant to which Mr. Sy agreed to assign all its rights and obligations under the Agency Agreement to the Business Enterprise.

## **5.2 Products**

The Products mainly include the ultraviolet (“UV”)/visible light (“VIS”) spectrophotometer, total organic carbon (“TOC”) analyzer and microwave digestion system developed by Metash (for the Products’ list, please refer to Appendix I), which play important roles in the environmental, food, cosmetics, pharmaceutical, life science and chemical fields with wide applications. As advised, the Products had obtained the International Organization for Standardization (“ISO”), conformité européenne (“CE”), Federal Communications Commission (“FC”) and Restriction of Hazardous Substances Directive (“ROHS”) certificates, allowing the Products to be exported to all over the world. Some of the major series of the Products with their respective key features are shown as follows:

### ***5.2.1 V-5000 — Visible Spectrophotometer***

V-5000 is a single beam visible spectrophotometer with manual wavelength setting. It is a basic model and ideal choice for routine analysis and general experiments. This specially designed single beam spectrophotometer is a low-cost spectrophotometer which offers high performance, easy operation and wide applications.



**Figure 1: V-5000 — Visible Spectrophotometer**

*Source: Management*

*Key features:*

- Latest microprocessor controlling system: V-5000 could realize auto zero and auto 100%T adjustment only with one button. It is equipped with 128 x 64 liquid crystal display (“LCD”) for direct readout of transmittance, absorbance and concentration.
- Precision 1200 lines/mm grating monochromator: to ensure high wavelength resolution, high parameters accuracy and low stray light.
- Easy data output by USB/parallel port: V-5000 is equipped with a universal serial bus (“USB”) port which could connect to personal computer (“PC”) to edit data through a specific software. The data can also be printed through the parallel port when connected to a micro thermo printer.
- Elegant streamlined designed, multi-function operation system: V-5000 has an elegant streamlined designed. The compact body only occupies little space while it is equipped with 120mm wide sample compartment and long optical path monochromator to reserve enough space for optional accessories to realize multi functions.
- Four display modes with one-button quick switching: switching transmittance, absorbance, concentration and factor (coefficient) mode quickly with on-button.

**5.2.2 UV-6000 — UV/VIS Spectrophotometer**

UV-6000 is an ideal and advanced analytical instrument for laboratory to realize wavelength scanning, kinetics, multi-wavelength test, etc. equipped with a 6 inches large LCD display. All functions can be realized with the advanced standalone system and all data and graphs can be shown on the device directly.



**Figure 2: UV-6000 — UV/VIS Spectrophotometer**

*Source: Management*

*Key features:*

- 6 inches high-definition large LCD display — equipped with a 6 inches large LCD display. All data and graphs can be shown directly and clearly on the device screen.
- Rigid structure, 8mm — thick optical base — all optical components are fixed on an 8mm — thick rigid die-cast aluminum board which ensures high stability and reliability.
- Advanced standalone system with powerful functions — multi functions like spectrum scanning, standard curve, kinetics, multi wavelength, deoxyribonucleic acid (“DNA”)/protein test can be operated directly on spectrophotometer and all corresponding curves and data can be displayed directly.
- Easy data output — the USB port is used for PC connection to realize spectrum scanning, kinetics, multi-wavelength, etc. The parallel port is used for micro printer connection to print data and standard curve directly.

**5.2.3 UV-9000 series — Double Beam UV/VIS Spectrophotometer**

UV-9000 series are wide screen double beam spectrophotometer. UV-9000 series adopt double beam long light path design to ensure high stability and accuracy and are the best choice of high-quality spectrophotometers.



*Figure 3: UV-9000 series — Double Beam UV/VIS Spectrophotometer*

*Source: Management*

*Key features:*

- Dual beam light path design: UV-9000 series adopt double light path design which greatly reduces circuit fluctuation and stray light and ensures high stability of the instrument.
- Powerful standalone operation system: Functions like spectrum scanning, standard curve, kinetics, multi-wavelength scanning, DNA/protein test, etc. can be directly completed on device without connecting to PC software.
- Long light path design: the unique 520mm long light path design is adopted to improve the wavelength resolution and make the bandwidth of UV-9000 series can be switched to 0.5nm.
- UV analyst PC software: PC software is provided to connect device with PC for easy data output and analysis. The functions include wavelength scanning, standard curve, kinetics, multi- wavelength scanning, DNA/ protein test, etc.
- 16mm rigid aluminum optical base: a rigid 16mm — thick die-cast aluminum base is used as the optical mount to ensure high stability and reliability.
- One-button automatic calibration system: the baseline, wavelength and dark current can be calibrated automatically to keep device in good running conditions.
- 6 inches large LCD display: equipped with a 6 inches large LCD display to show results and curves directly on the screen.
- Easy data output and printing: equipped with USB port to connect with PC, easy to export and print data and analysis report.

#### 5.2.4 TOC-1500/1700 — Total Organic Carbon Analyzer

TOC-1500/1700 is used to measure the amount of total organic carbon present in a liquid or water sample.



*Figure 4: TOC-1500/1700 — Total Organic Carbon Analyzer*  
*Source: Management*

*Key features:*

- Equipped with conductivity detector to quantify TOC concentration;
- TOC-1700 is able to work under online mode to realize real-time monitoring;
- Ideal choice to measure and monitor microelectronic water, purified water, water for injection, etc.;
- Automatic sample introduction with one-button setting, no sample contamination, no harm on operator and environment;
- UV oxidation by UV lamp, no need to add acid, gas or catalytic, greatly reduces the experiment and maintenance cost;
- 7 inches touch screen with smart user interface, easy to operate and read test data;
- Auto sampler is optional according to different experiment requirements;
- Online and offline mode can be easily switched (TOC-1700);
- 8GB large storage capacity, no restriction of data and time;
- Quick test, each analysis takes less than 3 minutes;
- All historical records can be traced by searching test date;
- Data can be retrieved and saved to USB directly;
- Equipped with Bluetooth printer for quick and easy data printing; and
- Modular design for quick installation and easy maintenance.



### 5.2.5 MWD-650/700 — Microwave Digestion System

Microwave digestion is a common technique used by elemental scientists to dissolve heavy metals in the presence of organic molecules prior to analysis by inductively coupled plasma, atomic absorption, or atomic emission measurements.



*Figure 5: MWD-650/700 — Microwave Digestion System*

*Source: Management*

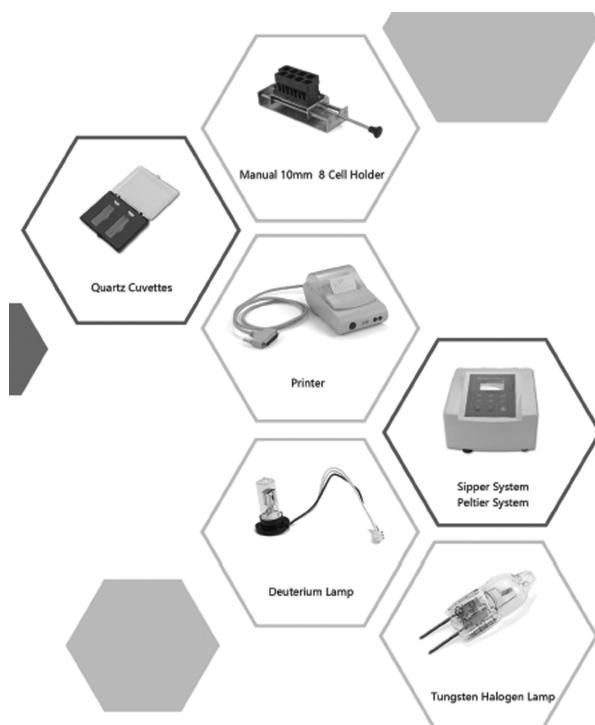
*Key features:*

- Special designed sample digestion vessel: the automatic vent and self-resealing structure which won national patent ensures the digestion vessels can automatically release pressure and instantly reseal when a sudden over-pressure situation occurs. It prevents waste of batch samples and solutions and also avoids vessel damage.
- Contact-less temperature and pressure monitoring system: the advanced contact-less infrared sensor could measure the real-time temperature of sample solutions in each digestion vessel. Meanwhile, the contact-less pressure sensor could monitor the real-time pressure of each vessel. This realizes isolation between temperature and pressure controlling system, also avoids sample cross-contamination. Each real-time temperature and pressure value is displayed during the whole digestion process, allowing a clear check of digestion conditions.
- Large storage capacity: it can edit and store 255 types of programs according to user's requirements and each method program can set parameters (temperature, pressure, time, microwave power) according to their own requirement.
- Safety protection system — with high-strength double locked security door, the real-time temperature and pressure monitoring, automatic adjustment of over-pressure and over-temperature and abnormal sound monitoring, the device can run in a highly safe environment.

- Power adjustment — the variable frequency resonance or non-pulse (optional) continues rotating mode ensures high efficient and even microwave throughput. It can be set between 0–2000W/0–3000W according to user's requirements.

### 5.2.6 Other accessories and software

As advised, apart from the main instruments, other accessories like quartz cuvettes, deuterium lamp, sipper system, peltier system, etc. can also be ordered separately. Besides, the Products are all installed with specific software which enable a wide variety of functions including instrument control, measurement, data analysis and processing, file security, three-dimensional display, etc.



**Figure 6: Other accessories**  
*Source: Management*

### 5.3 Customers

As advised by the Management, target customers include both the distributors and end users principally engaged in the pharmaceutical, manufacturing and trading of electronic goods in Hong Kong, Macau and the region of Asia outside the PRC.

## **6.0 INVESTIGATION AND ANALYSIS**

Our investigation included discussion with the Management in relation to the testing and measuring equipment industry, and other relevant information of the Intangible Assets. In addition, we have made relevant enquiries and obtained such further information, including financial and business information, and statistical figures from other sources as we consider necessary for the purpose of this valuation. As part of our analysis, we have made reference to the financial information, projections and other pertinent data concerning the Intangible Assets provided to us by the Management.

The valuation of the Intangible Assets requires consideration of all pertinent factors affecting the market value of the Intangible Assets. The factors considered in this valuation include the following:

- Nature of the Intangible Assets;
- Expected economic income to be derived from the Intangible Assets;
- Proposed business development and expansion of the Business Enterprise using the Intangible Assets;
- Regulations and rules of the testing and measuring equipment industry;
- Economic and industry data affecting the testing and measuring equipment industry and other dependent industries;
- Market-derived investment return(s) of similar assets; and
- General global economic outlook.

## **7.0 GENERAL VALUATION APPROACHES AND METHODS**

There are three generally accepted approaches to obtain the value of an intangible asset:

- Market Approach;
- Cost Approach; and
- Income Approach.

Under each approach, a number of methods are available which can be used to assess the value of a subject. Each method uses a specific procedure to determine the value.

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 specific characteristics of the subject of the valuation. It is also common practice to employ a number of valuation methods under each approach. Therefore, no one valuation approach or method is definitive.

### **7.1 Market Approach**

The Market Approach values an intangible asset by comparison of the prices at which other similar intangible assets or interests 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 pay for an equally desirable alternative. By adopting this approach, we will first look for an indication of value from the prices of other similar intangible assets that were sold recently.

The right transactions employed in analyzing for indications of value 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.

Where evidence of prices is available, it will often be necessary to make adjustments to these to reflect differences between the subject asset and those involved in the transactions.

### **7.2 Cost Approach**

The Cost Approach values an intangible asset by using the historical cost which relates to the actual cost to create or develop an intangible asset. There are two fundamental types of cost quantified in Cost Approach valuation methods: reproduction cost and replacement cost. At the inception of the cost approach analysis, we decide which type of cost will be estimated and will be used.

Reproduction cost is the estimated cost to construct, at current prices as of the date of the analysis, an exact duplicate or replica of the subject intangible asset, using the same production standards, design, layout and quality of workmanship as the subject intangible asset. The reproduced intangible asset will include the same inadequacies, super adequacies, and obsolescence as the subject intangible asset.

Replacement cost is the estimated cost to construct, at current prices as of the date of the analysis, an intangible asset with equivalent utility to the subject intangible asset, using modern materials, production standards, design, layout and quality of workmanship. The replacement intangible asset will exclude all curable inadequacies, super adequacies and obsolescence that are present in the subject intangible asset.

### **7.3 Income Approach**

The Income Approach focuses on the economic benefits generated by the income producing capability of an intangible asset. The underlying theory of this approach is that the value of an intangible asset can be measured by the present worth of the economic benefits to be received over the useful life of an intangible asset.

Based on this valuation principle, the Income Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this 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 intangible asset will continue to maintain stable economic benefits and growth rate.

The principal valuation methods under the Income Approach used in the valuation of intangible assets are:

- relief-from-royalty method;
- with-and-without method;
- excess earnings method; and
- greenfield method.

## 8.0 VALUATION ANALYSIS

### 8.1 Methodology

In the process of valuing the Intangible Assets, we have considered their nature and discussed with the Management on their effect and economic benefits. We have adopted the excess earnings method under the Income Approach. The Income Approach allows us to reflect the specific characteristics of the Intangible Assets and the economic benefits contributed by the Intangible Assets. The excess earnings method determines the value of an intangible asset as the present value of the cash flows attributable to the subject intangible asset after excluding the proportion of cash flows that are attributable to other contributory assets.

In this valuation, the Market Approach is not appropriate as there are insufficient comparable transactions of similar assets to form a reliable basis for our opinion of value. The Cost Approach is not appropriate as it ignores the future economic benefits of the Intangible Assets.

In this valuation, identified contributory assets include the fixed assets, the assembled workforce and the non-cash working capital.

## 8.2 Projections

As provided by the Management, the projections of the Business Enterprise using the Intangible Assets for the next 5 years up to 31 December 2026 are presented as follows:

(HK\$'000)	Year ended 31 December				
	2022	2023	2024	2025	2026
Revenue	44,947	48,667	52,091	54,678	56,714
Less: operating expenses	<u>(37,448)</u>	<u>(40,148)</u>	<u>(43,178)</u>	<u>(45,654)</u>	<u>(47,100)</u>
<b>Operating income</b>	<b><u>7,499</u></b>	<b><u>8,519</u></b>	<b><u>8,913</u></b>	<b><u>9,024</u></b>	<b><u>9,614</u></b>

\* Figures above are subject to rounding

\*\* Our valuation is based on the projections provided by the Management as above. We do not express any opinion regarding the accuracy of the projections provided by the Management

*Table 1: Projections of the Business Enterprise related to the Intangible Assets*  
Source: Management

## 8.3 Economic Life of the Intangible Assets

According to the Agreements and as advised by the Management, the Intangible Assets are expected to have an economic life up to 6 December 2031.

## 8.4 Income Tax

We have adopted a tax rate of 16.5%, which is the corporate income tax rate of Hong Kong as at the Valuation Date.

## 8.5 Contributory Asset Charges

In the course of our valuation, we have excluded the cash flows attributable to other contributory assets in the projections of the Business Enterprise related to the Intangible Assets, namely fixed assets, the assembled workforce and the non-cash working capital.

The after-tax contributory asset charge rate for the fixed assets is 7.59%, which is based on the simple average between the cost of equity and cost of debt of the Business Enterprise. The after-tax contributory asset charge rate for the non-cash working capital is 4.18%, which is based on the cost of debt of the Business Enterprise, and the after-tax contributory asset charge rate for assembled workforce is 14.69%, which is based on the weighted average cost of capital of the Business Enterprise plus an intangible asset risk premium.

## **8.6 Discount Rate**

In determining the discount rate of the Intangible Assets, we have applied the weighted average cost of capital plus specific risk premium appropriate for the Business Enterprise plus an intangible asset risk premium. Based on our analysis, which is set out in Appendix IV, the nominal discount rate of the Intangible Assets is 14.69%, which is applied to nominal post tax cash flows.

## **9.0 SPECIAL ASSUMPTION**

In the course of our valuation, we were instructed by the Management to assume that the Deed had been entered into among Mr. Sy, the Business Enterprise and the Company as at the Valuation Date.

## **10.0 GENERAL ASSUMPTIONS**

- The contractual parties of the Agreements will act in accordance with the terms and conditions as stipulated in the Agreements;
- The Intangible Assets will not be substituted or otherwise infringed upon in a manner that materially affects its economic benefit during the useful life of the Intangible Assets;
- For the Business Enterprise using the Intangible Assets to continue as a going concern, the Business Enterprise will successfully carry out all necessary activities for the development of its business;
- The availability of finance will not be a constraint on the forecast growth of the operations of the Business Enterprise using the Intangible Assets in accordance with the business plans and the projections;
- Market trends and conditions where the Business Enterprise using the Intangible Assets operates will not deviate significantly from the economic forecasts in general;
- There will be no material changes in the business strategy of the Business Enterprise using the Intangible Assets and its operating structure;
- The financial information of the Business Enterprise using the Intangible Assets as supplied to us have been prepared in a manner which truly and accurately reflect the financial performances and positions of the Business Enterprise as at the respective financial statement dates;
- Key management, competent personnel and technical staff will all be retained to support the development of the Business Enterprise using the Intangible Assets;
- Interest rates and exchange rates in the localities for the operations of the Business Enterprise using the Intangible Assets will not differ materially from those presently prevailing;



- All relevant approvals, permits, registrations, licences or other legislative or administrative authority from any local, provincial or national government, or private entity or organisation required to operate in the localities where the Business Enterprise using the Intangible Assets operates or intends to operate will be officially obtained and renewable upon expiry without any significant payment, unless otherwise stated; and
- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Business Enterprise using the Intangible Assets operates or intends to operate, which will adversely affect the revenues and profits attributable to the Business Enterprise using the Intangible Assets.

### 11.0 LIMITING CONDITIONS

Our conclusion of the market value is 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. This valuation reflects facts and conditions existing as at the Valuation Date apart from the Deed entered into among Mr. Sy, the Business Enterprise and the Company on 18 January 2022. Other than this, subsequent events have not been considered and we are not required to update our report for such events and conditions. In the course of our valuation, we have made the special assumption that the Deed had been entered as of the Valuation Date.

To the best of our knowledge, all data set forth in this report is 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, however, no guarantee is made nor liability assumed for their accuracies.

We have relied to a considerable extent on the information provided by the Management in arriving at our opinion of value. 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 responsibility for operational and financial information that has not been provided to us is accepted.

Certain facts, information, statistics and data relating to the economic and industry overview that are presented in this report are derived from publicly available official government sources as well as industry reports prepared by external independent market researchers. We are of the view that the sources of this information are appropriate sources for such information and have exercised reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any facts have been omitted that would render such information false or misleading. The information has not been independently verified by us, and thus no representation is given as to its accuracy or correctness, and accordingly, it should not be unduly relied on.

We have not investigated the titles to or any legal liabilities against the Intangible Assets or the Business Enterprise and have assumed no responsibility for the titles to or any legal liabilities against the Intangible Assets or the Business Enterprise. In forming our opinion, we have assumed that matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed.

To the extent that there are legal issues relating to financial instruments, assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Peak Vision Appraisals assumes no responsibility and offers no legal opinion or interpretation on any issue.

In accordance with our standard practices, we must state that this report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated above. Furthermore, the report and conclusion of value are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusion of value represents the consideration based on information provided by the Company/engagement parties and other sources. No responsibility is accepted to any third party for the whole or any part of its contents.

Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

We would particularly point out that our valuation was based on the information such as background, business nature, market share, future prospect as well as the projections of the Business Enterprise using the Intangible Assets provided to us.

Our valuation has been prepared based on the economic, market and other conditions as they existed on, and information made available to us as of the Valuation Date only. It has come to our attention that the outbreak of Coronavirus Disease (COVID-19) has caused significant disruption to economic activities around the world, it is uncertain how long the disruption will last and to what extent it will affect the economy and it may cause volatility and uncertainty such that the input parameters and assumptions adopted in our valuation may change significantly and unexpectedly over a short period of time. It should therefore be noted that any market volatility, policy, geopolitical and social changes or other circumstances after the Valuation Date may affect the market value of the Intangible Assets after the Valuation Date.

## **12.0 REMARKS**

Unless otherwise stated, all monetary amounts stated in this valuation report are in Hong Kong Dollars (HK\$).

The Management has reviewed and confirmed the factual content and has agreed to the assumptions and limiting conditions of this report.

We hereby confirm that we have no material connection or involvement with the Intangible Assets, Metash, Mr. Sy, the Company and its subsidiaries and associated companies, or the value reported herein and that we are in a position to provide an objective and unbiased valuation.

### 13.0 OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed and key assumptions appended above, we are of the opinion that the market value of the Intangible Assets as at the Valuation Date was in the sum of **HK\$37,800,000 (HONG KONG DOLLARS THIRTY SEVEN MILLION EIGHT HUNDRED THOUSAND ONLY)**.

Yours faithfully,  
For and on behalf of  
**Peak Vision Appraisals Limited**  
**Nick C. L. Kung**

*MRICS, MHKIS, RPS (G.P.), RICS Registered Valuer, MCIREA*  
*Director*  
*Corporate Valuations*

# **Appendix I**

## **The Products' List**

## Appendix I — The Products' List

A. Spectrophotometer 分光光度计												
Item		Model No.	Functions	Display	Wavelength Setting	Wavelength & Dark current Calibration	Data & Curve Store	Wavelength Range (nm)	Bandwidth (nm)	Wavelength Accuracy (nm)	Photometric Accuracy (nm)	Unit
Single Beam 单光束	Visible Spectrophotometer 可见分光光度计	V-5000	Basic functions, A/T/C/F	128*64 LCD	manual	No	No	325-1000	4nm	±2nm	±0.5%T	set
		V-5100	Standard curve &Coefficient method	128*64 LCD	auto	Yes	Yes	325-1000	2nm	±2nm	±0.5%T	set
		V-5600	Quantitative	128*64 LCD	auto	Yes	Yes	320-1100	2nm	±0.5nm	±0.3%T	set
		V-5800	Quantitative	128*64 LCD	auto	Yes	Yes	320-1100	2nm	±0.5nm	±0.2%T	set
	Ultra Violet Visible Spectrophotometer 紫外可见分光光度计	UV-5100	Standard curve &Coefficient method	128*64 LCD	auto	Yes	Yes	190-1000	2nm	±1nm	±0.5%T	set
		UV-5100B	Standard curve &Coefficient method	128*64 LCD	auto	Yes	Yes	190-1000	2nm	±1nm	±0.5%T	set
		UV-5600	Quantitative	128*64 LCD	auto	Yes	Yes	190-1100	2nm	±0.5nm	±0.3%T	set
		UV-5800	Quantitative	128*64 LCD	auto	Yes	Yes	190-1100	2nm	±0.5nm	±0.2%T	set
		UV-6000	Kinetics/Multi-wavelength/ Quantitative/ Wavelength Scan	320*240 LCD	auto	Yes	Yes	190-1100	1.8nm	±0.5nm	±0.3%T	set
		*NEW* UV-6000T	Kinetics/Multi-wavelength/ Quantitative/ Wavelength Scan	800*480 Touch Screen	auto	Yes	Yes	190-1100	1.8nm	±0.5nm	±0.2%T	set
		UV-6100 ★	Kinetics/Multi-wavelength/ Quantitative/ Wavelength Scan	320*240 LCD	auto	Yes	Yes	190-1100	1.8nm	±0.3nm	±0.2%T	set
		UV-6100A ★	Kinetics/Multi-wavelength/ Quantitative/ Wavelength Scan	320*240 LCD	auto	Yes	Yes	190-1100	1nm	±0.3nm	±0.2%T	set
		UV-6100S ★	Kinetics/Multi-wavelength/ Quantitative/ Wavelength Scan	320*240 LCD	auto	Yes	Yes	190-1100	0.5/1/2/4nm	±0.3nm	±0.2%T	set
		Double Beam 双光束	Ultra Violet Visible Spectrophotometer 紫外可见分光光度计	*NEW* UV-8000T	Kinetics/Multi-wavelength/ Quantitative/ Wavelength Scan	800*480 Touch Screen	auto	Yes	Yes	190-1100	1.8nm	±0.3nm
*NEW* UV-8000T(A)	Kinetics/Multi-wavelength/ Quantitative/ Wavelength Scan			800*480 Touch Screen	auto	Yes	Yes	190-1100	1nm	±0.3nm	±0.2%T	set
*NEW* UV-8000TS	Kinetics/Multi-wavelength/ Quantitative/ Wavelength Scan			800*480 Touch Screen	auto	Yes	Yes	190-1100	0.5/1/2/4nm	±0.3nm	±0.2%T	set
UV-9000 ★	Kinetics/Multi-wavelength/ Quantitative/ Wavelength Scan			320*240 LCD	auto	Yes	Yes	190-1100	1.8nm	±0.3nm	±0.2%T	set
UV-9000A ★	Kinetics/Multi-wavelength/ Quantitative/ Wavelength Scan			320*240 LCD	auto	Yes	Yes	190-1100	1nm	±0.3nm	±0.2%T	set
UV-9000S ★	Kinetics/Multi-wavelength/ Quantitative/ Wavelength Scan			320*240 LCD	auto	Yes	Yes	190-1100	0.5/1/2/4nm	±0.3nm	±0.2%T	set
B. TOC Analyzer 总有机碳分析仪												
Item	Model No.	Measurement Method				Application				Unit		
TOC Analyzer 总有机碳分析仪	TOC-1500	Conductivity				Liquid Sample				set		
	TOC-1700 (Online)	Conductivity				Liquid Sample				set		
	TOC-2000	High Temperature Combustion				Liquid Sample				set		
	TOC-3000	Wet Chemical Oxidation by UV				Liquid Sample				set		
C. Autosampler for TOC Analyzer 自动进样器												
Item		Compatible Model				Sample Quantity				Unit		
*NEW* Autosampler for TOC Analyzer 自动进样器	AS-D20	TOC-1500, TOC-1700, TOC-2000, TOC-3000				20 (19 for samples, 1 for cleaning)				set		
D. Microwave Digestion System 微波消解仪												
Item		Control Mode				Vessel Quantity				Unit		
*NEW* Microwave Digestion System (Square Designed Chamber) 微波消解仪	MINI MWD-610-T6	Contactless Pressure Sensor & IR Temperature Sensor				6				set		
	MINI MWD-610-T8	Contactless Pressure Sensor & IR Temperature Sensor				8				set		
	MINI MWD-610-T10	Contactless Pressure Sensor & IR Temperature Sensor				10				set		
*NEW* Microwave Digestion System (Square Designed Chamber) 微波消解仪	MWD-610-T6	Contactless Pressure Sensor & IR Temperature Sensor				6				set		
	MWD-610-T8	Contactless Pressure Sensor & IR Temperature Sensor				8				set		
	MWD-610-T10	Contactless Pressure Sensor & IR Temperature Sensor				10				set		
	MWD-610-T12	Contactless Pressure Sensor & IR Temperature Sensor				12				set		
Microwave Digestion System (High-class Round Designed Chamber) 微波消解仪	MWD-650	Contactless Pressure Sensor & IR Temperature Sensor				12				set		
	MWD-700	Contactless Pressure Sensor & IR Temperature Sensor				18				set		
	MWD-800	Contactless Pressure Sensor & IR Temperature Sensor				40				set		
E. Sample Pretreatment/Acid-removing Heating Equipment (Heating Blocks) 赶酸仪												
Item	Model No.	Compatible Model				Sample Quantity				Unit		
Sample Pretreatment/Acid-removing Heating Equipment (Heating Blocks) 赶酸仪	SPH-1	(MINI) MWD-610-T6/T8/T10/T12, MWD-650				12				set		
	SPH-2	MWD-700				20				set		
	SPH-3	MWD-800				56				set		
Remarks:												
1	All prices are based on FOB shanghai. For C&F or CIF price, please check with our sales person.											
2	Model No. with ★ comes standard with PC scanning software.											
3	Prices are valid from 1/1/2022- 31/12/2022. The price is subject to change according to the notice.											

Table 2: The Products' list  
Source: the Agreements

# **Appendix II**

## **Industry Overview**

**Appendix II — Industry Overview****GLOBAL TESTING AND MEASUREMENT EQUIPMENT MARKET**

The test and measurement equipment industry is a dynamic and fast-growing segment of the global economy. Its key customers are manufacturers of electronics, wireless and semiconductor devices. Demand also comes from industries such as aerospace and defense, automotive, and transportation. Test and measurement equipment is used to test products and confirm that they will perform as required. The market can be divided into general purpose test equipment market and mechanical test equipment market by products. It can also be divided into calibration services market and repair and after-sales services market by services. The key players in the industry include National Instruments, Fortive, Keysight Technologies, etc.

Furthermore, according to Amphenol ICC, test and measurement equipment can be categorized into three:

1. Devices used for measuring basic system parameters
2. Devices used for testing stimulus signals
3. Devices that measure the response to these signals

**Devices used for measuring basic system parameters**

The most common devices used for measuring basic system parameters such as voltage, current and resistance include voltmeter, ohmmeter, ammeter and multimeters. A voltmeter measures the voltage in an electric circuit. There are both analog and digital voltmeters available in the market. An ohmmeter measures electrical resistance whereas an ammeter measures the electric current in a circuit. There are also multimeters, which performs the functions of ohmmeter, voltmeter, and ammeter.

**Devices used for testing stimulus signals**

The devices used for testing stimulus signals include power supplies, signal generators, and pulse generators. As the names suggest, power supplies are devices that provide electric power, signal generators generate electrical signal and pulse generators generate rectangular pulses.

**Devices that measure the response to these signals**

Devices like oscilloscope measure system response to the input signals. It measures the change of an electrical signal based on time and produces a graph. On reading the graph, one can understand properties such as frequency, amplitude, time interval, rise time and others. Modern digital instruments may calculate these properties directly and display the results in numeric form.



According to Vishay Precision Group, the industry's market drivers include the increasing demand for electronic products and the rising need for test and measurement equipment in semiconductor devices. Electronics, research labs, material analysis, manufacturing, and particle analysis all use test and measurement equipment to measure various components of the materials they are working with and analyzing. According to Markets and Markets Research, the test and measurement equipment market size is expected to reach approximately US\$33.3 billion in 2026 from US\$27.7 billion in 2021, at a compound annual growth rate ("CAGR") of approximately 3.7 % during the forecast period of 2021–2026. The growth is expected to come from the rising demand for such equipment from myriad crucial industry including automotive and transportation, information technology ("IT") and telecommunications, healthcare, education and government, and electronics and semiconductor.

### **COVID-19 impact on global test and measurement equipment market**

The outbreak and the spread of the COVID-19 have led to a decrease in demand for several products. Manufacturing plants in a number of countries have been shut down to contain the spread of the virus. Nevertheless, the adoption of test and measurement equipment for testing applications is high in healthcare & pharmaceuticals, biological research, and food & beverages industries. Stringent government regulations and increased demand for quality maintenance in these industries drive the adoption of test and measurement equipment. The spread of COVID-19 led to the increased production of medicines and other medical equipment. This has increased the demand for test and measurement equipment in the healthcare and pharmaceuticals industry, leading to surged demand for test and measurement equipment products and solutions.

### **Growing adoption of electronic devices and penetration of Internet of Things**

Test and measurement equipment authenticate the performance of electronic devices. Testing helps identify components that undergo timely degradation due to the device's exposure to external turbulences such as shocks, heats, vibrations, and fluctuating environmental conditions. This analysis further helps anticipate equipment failure and perform calibration before any substantial damage. In other words, test and measurement instruments help improve the shelf life, performance, accuracy, and efficiency of devices.

The use of semiconductor devices is rapidly increasing. Original equipment manufacturers ("OEMs"), designers, and engineers are focusing on designing cutting-edge semiconductor devices having exceptional features such as robotics and different types of sensors. Such devices are in demand from several verticals, including consumer electronics. With the escalated demand for consumer electronic products, such as flat-screen TVs, refrigerators, washing machines, smartwatches, mobile phones, and air conditioners, it has become necessary to produce them in large quantities. According to the statistics shared by the National Investment Promotion and Facilitation Agency, the global electronics market is estimated to be over US\$2 trillion in the next 10 years (by 2030). It has also stated that the Indian electronics market was valued at approximately US\$120 billion in 2018–19, and the country's share in global electronics manufacturing grew from about 1.3% in 2012 to near 3% in 2018.

The emergence of the Internet of Things (“**IoT**”) and smart applications platform is an important factor for the overall growth of the semiconductor industry. Presently, almost one-third of the world population uses high-bandwidth internet. This has ultimately resulted in an increase in the number of internet-enabled smart devices in emerging economies such as China, India, and Thailand. Variations in wireless local area network (“**WLAN**”), Bluetooth, ZigBee, and other wireless technologies drive the growth of the test and measurement equipment market as devices based on these technologies need to be tested to ensure that they can communicate and interoperate seamlessly. IoT is defined as a huge network of operating electronic devices both wired and wireless. This network may comprise home appliances, physical devices, vehicles, and other embedded electronic devices; components such as sensors and actuators; and software solutions.

### **Market trends**

The market for general purpose test equipment (“**GPTE**”) has held the largest share test and measurement equipment market. GPTE includes oscilloscopes, signal generators, digital multimeters, logic analyzers, spectrum analyzers, bit error rate tester (“**BERT**”) solutions, network analyzers, power meters, electronic counters, modular instruments, and automated test equipment (“**ATE**”), and power supplies. The characteristics of the above-mentioned type of equipment include large size, bulky displays, and slightly complicated control system and customer user interface. These characteristics are expected to change to an extent owing to the rising demand for miniature devices and the strong focus of test and measurement equipment manufacturers on integrating different types of equipment into one offering.

The market for the repair and after-sales services is expected to increasingly grow in the industry. Repair services are provided for material and workmanship defects. The purpose of repairing is similar to troubleshooting, which includes detecting and eliminating faults present in a product in various stages of the product cycle. Companies connect with their customers through toll-free numbers, online chat, or emails to provide round-the-clock technical assistance. This helps test and measurement equipment service providers to minimize their turnaround time and enhance the quality of the product under inspection. Players in this market also offer training and development programs to their customers or end users. Training helps users better understand the technical and operational aspects to be able to reduce the error rate.

North America has held the largest share of test and measurement equipment market in 2020. The market in this region is expected to be driven by the growing demand from the healthcare, and IT and telecommunications sectors. With advancements in autonomous driving technology and recent IoT technology trends, there is a need for improved bandwidth and latency reduction, which can be easily achieved through 5G. The United States is one of the active participants in the league for commercializing the 5G network throughout the country.

To conclude, the emergence of IoT, modular instrumentation and other complex technologies is expected to drive the growth of the test and measurement equipment industry in the future due to the need for cost-effectiveness of the devices, reduced development times and greater performance efficiency. Research and development of software upgrades and high-end communication technologies require better flexibility, higher measurement speeds, precise functionality, and effective real-time testing. These requirements can be met with the development of better testing and measurement equipment. The test and measurement market is expected to experience growth as industries such as IoT, big data analytics and 5G technologies grow. High-speed digital standards, power applications, new software models, the evolution of software-as-a-service and cloud licensing are expected to revolutionize the trends in testing and measurement. The future of the test and measurement industry features a plethora of growth opportunities that market participants must keep their eye on.

# **Appendix III**

## **Economic Overview**

## Appendix III — Economic Overview

### HONG KONG ECONOMIC OVERVIEW

According to Hong Kong Trade Development Council (“HKTDC”), Hong Kong’s economy expanded by 5.4% year-on-year in real terms in the third quarter of 2021, after an increase of 7.6% (year-on-year) in the preceding quarter. Considering the actual outturn in the first three quarters of the year, the Government forecasts Hong Kong’s real GDP growth for 2021 is 6.4%.

Overall consumer prices rose by 1.7% in October 2021 over the same month a year earlier, larger than the corresponding increase (1.4%) in September 2021. Considering the underlying inflation should remain in check in the rest of this year, the Government forecasts Hong Kong’s underlying consumer price inflation at 0.7% for 2021.

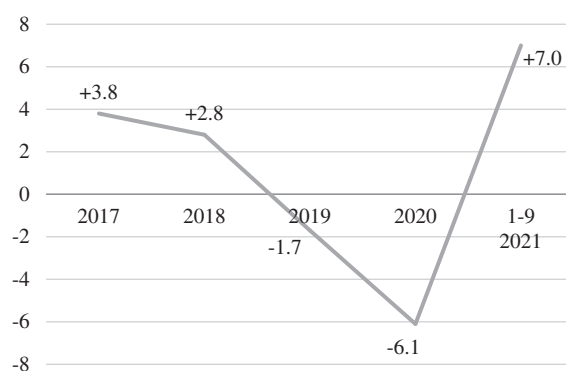
The value of retail sales, in nominal terms, increased by 7.3% year-on-year in September 2021 over the same month a year earlier. For August 2021, the value of total retail sales increased by 11.9% compared with the same period in 2020.

The labour market is gradually improving. The seasonally adjusted unemployment rate decreased from 4.5% in July–September 2021 to 4.3% in August–October 2021.

Merchandise exports increased by 21.4% in October 2021 over the same month a year earlier, after a year-on-year increase of 16.5% in September 2021.

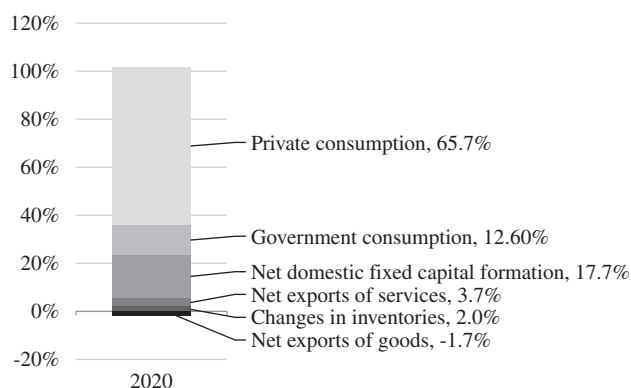
Hong Kong is the world’s freest economy. It is one of the most services-oriented economy in the world, with services sectors accounting for 93.4% of the GDP in 2019. According to World Trade Organization (WTO), Hong Kong is the world’s 6th largest exporter of merchandise trade in 2020, up by two places over 2019. According to the UNCTAD World Investment Report 2021, global FDI inflows to Hong Kong amounted to US\$119.2 billion in 2020, ranked 3rd globally, behind the United States (US\$156.3 billion) and Mainland China (US\$149.3 billion). In terms of FDI outflows, Hong Kong ranked 4th globally with US\$102.2 billion, after Mainland China (US\$132.9 billion), Luxembourg (US\$127.1 billion) and Japan (US\$115.7 billion). In terms of FDI stock, Hong Kong was the world’s 4th largest host with US\$1,884.9 billion, after the United States, the United Kingdom and the Mainland China, and the world’s 7th largest investor with US\$1,953.9 billion in 2020. According to a triennial survey conducted by the Bank for International Settlements, Hong Kong is the 2nd largest foreign exchange market in Asia and the 4th largest in the world in 2019, with the average daily turnover of forex transactions increasing by 44.8% from US\$436.6 billion in April 2016 to US\$632.1 billion in April 2019. Hong Kong is a global offshore RMB business hub. According to SWIFT, Hong Kong is the largest offshore RMB clearing centre in 2020, sharing about 75% of the world’s RMB payments.

As at the end of 2020, Hong Kong's stock market ranked the 3rd largest in Asia and the 5th largest in the world in terms of market capitalisation. There were 2,538 companies listed on HKEx and the total market capitalisation of Hong Kong's stock market reached US\$6.1 trillion. In 2020, Hong Kong is the 2nd largest IPO fundraising market in the world, with US\$51.3 billion raised through IPO. Hong Kong is an important banking and financial centre in the Asia Pacific. Hong Kong is the 3rd leading global financial centre, according to the Global Financial Centre Index. The Hong Kong International Airport is the world's busiest airport for international air cargo since 2010. Hong Kong is also one of the world's busiest container ports. In 2020, Hong Kong ranked 9th in the world in terms of container throughput. Supported by excellent connectivity with Mainland China and the rest of the world, strong research and development capability, world-class universities, Hong Kong is fast becoming an innovation and technology hub. According to the Global Innovation Index, Hong Kong ranked 14th globally in 2021.



**Figure 7: Real GDP growth (Year-on-year % change)**

Source: HKTDC



**Figure 8: GDP composition (% share of GDP)**

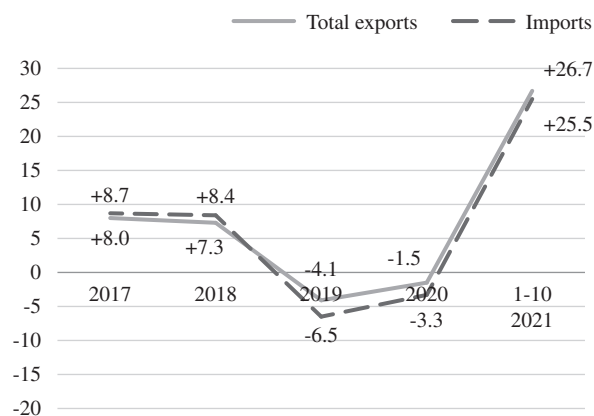
Source: HKTDC

	2019	2020	Latest
Population, Year-end (mn)	7.52	7.47	—
Gross Domestic Product (US\$ bn)	364.7	344.7	271.3 <sup>a</sup>
GDP Per Capita (US\$)	48,938	46,701	—
Real GDP Growth (%)	-1.7	-6.1	+7.0 <sup>b</sup>
Inflation (% Change in Composite CPI)	+2.9	+0.3	+1.5 <sup>c</sup>
Unemployment Rate (%)	2.9	5.8	4.3 <sup>d</sup>
Retail Sales Growth (%)	11.1	24.3	+8.0 <sup>b</sup>
Number of Visitors (mn)	55.9	3.6	0.06 <sup>a</sup>
Visitor Arrivals Growth (%)	-14.2	-93.6	-98.2 <sup>b</sup>

<sup>a</sup> January–September 2021; <sup>b</sup> year-on-year change, January–September 2021; <sup>c</sup> year-on-year change, January–October 2021; <sup>d</sup> seasonally adjusted, August–October 2021

**Table 3: Major economic indicators**

Source: HKTDC



**Figure 9: Merchandise trade growth (Year-on-year % change)**

Source: HKTDC



# **Appendix IV**

## **Discount Rate Derivation**

## Appendix IV — Discount Rate Derivation

We have determined the discount rate adopted in the Income Approach based on the weighted average cost of capital (“WACC”) appropriate for the Business Enterprise. It is the minimum required return that a valuation subject must earn to satisfy its various capital providers including shareholders and debtholders. The WACC is calculated taking into account the relative weights of each component of the capital structure. In the course of our analysis, we have applied specific risk premium to the WACC such that the discount rate adopted in our valuation follows the formula:

$$\text{Discount rate} = W_e \times R_e + W_d \times R_d \times (1 - T) + R_s$$

in which

$R_e$	=	cost of equity
$R_d$	=	cost of debt
$W_e$	=	portion of equity value to enterprise value
$W_d$	=	portion of debt value to enterprise value
$T$	=	corporate tax rate
$R_s$	=	specific risk premium

### (I) COST OF EQUITY

From a modern portfolio management perspective, typical investors are risk-averse and rational. They make all investment decisions based on risk and return of an investment opportunity. The cost of equity, therefore, should account for the risk premium, which is the required additional return over the risk free rate. Additional risk premiums such as country risk premium and size premium are added to reflect other risk factors concerning the Business Enterprise. All the estimates are supported by public data sources such as Refinitiv and Duff & Phelps, LLC. We have used the capital asset pricing model (“CAPM”) to determine the appropriate cost of equity of the Business Enterprise.

$$\text{Cost of equity} = \text{risk free rate} + \text{equity beta} \times \text{market risk premium} + \text{size premium} + \text{country risk premium}$$

Cost of equity calculation:

(1) Risk free rate	1.51%
(2) Equity beta	0.80
(3) Market risk premium	7.25%
(4) Size premium	3.21%
(5) Country risk premium	0.51%
<b>Cost of equity</b>	<b>11.00%</b>

\* *Figures above are subject to rounding*

*Notes:*

- (1) This is the 10-year yield of the United States Government Bond Benchmark Yield Curve, which is a mature market risk free rate.
- (2) This is the adjusted beta by making reference to publicly listed companies with comparable business nature and operation, which are sourced from Refinitiv.
- (3) Market risk premium = market rate of return — risk free rate. To derive a long-term, equity risk premium, we refer to the long-horizon expected equity risk premium for the United States (based on historical data), published by Duff & Phelps, LLC. A mature market equity risk premium is used since we derive a stable, long-term discount rate adopted in the valuation; therefore we have adopted the average market return of the United States instead of one from developing equity markets. The country risk premium (in Note 5 below) reflects the expected operating location of the Business Enterprise.
- (4) Based on the research published by Duff & Phelps, LLC, the CAPM does not fully account for the higher returns of smaller company stocks.

According to their research data of historical returns from 1926–2020 of micro-cap companies, the size premium (returns in excess of those predicted by CAPM) is 3.21%.

- (5) This is the increased risk with operating in Hong Kong, where the risk profile is different to the market premium applied in our analysis, including business risk, financial risk, exchange rate risk & country risk. We refer to the data and methodology derived on Damodaran Online (<http://pages.stern.nyu.edu/~adamodar/>), updated for 2021, in determining the country risk premium for the Business Enterprise.

Damodaran Online is prepared by Aswath Damodaran, who is currently a Professor of Finance at the Stern School of Business at New York University. Mr. Damodaran has published several books, including four books on equity valuation and two on corporate finance. He has also published papers in the Journal of Financial and Quantitative Analysis, the Journal of Finance, the Journal of Financial Economics and the Review of Financial Studies.

Given the above variables, we have derived the cost of equity of 11.00%.

## **(II) COST OF DEBT**

The cost of debt represents the estimated required return of debt financing for the Business Enterprise when borrowing or issuing debt (such as corporate bonds). We have estimated the cost of debt by applying the HSBC Hong Kong Prime Rate of 5.00%.

## **(III) WEIGHT OF DEBT**

To stay competitive in the industry, it is reasonable to assume that the Business Enterprise, over time, would operate at a debt level close to the average of the weight of debt of its industry comparables. Through the analysis of the industry comparables, the weight of debt is estimated as 5%.

## **(IV) WEIGHT OF EQUITY**

The weight of equity is estimated as 95% by adopting the same basis as above.

**(V) CORPORATE TAX RATE**

As confirmed by the Management, the Business Enterprise is subject to corporate income tax rate of Hong Kong, which was 16.5% as at the Valuation Date.

**(VI) SPECIFIC RISK PREMIUM AND PRE-OPERATING RISK PREMIUM**

Considering the specific risk of the Business Enterprise, we have applied an additional 2% specific risk premium and 1% pre-operating risk premium.

A further 1% intangible asset risk premium is added to reflect the higher risk of the Intangible Assets.

Based on our foregoing analysis, the discount rate adopted for the valuation of the Intangible Assets is calculated as follows:

$$\begin{aligned}\text{Discount rate} &= [95\% \times 11.00\% + 5\% \times 5.00\% \times (1-16.5\%)] + 3\% + 1\% \\ &\approx 14.69\%\end{aligned}$$

\* *Figures above are subject to rounding*