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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your Shares in Niche-Tech Semiconductor Materials Limited (the “Company”), you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, stockbroker, registered dealer in securities or other agents through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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This circular is for your information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

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**Niche-Tech Semiconductor Materials Limited**

**駿碼半導體材料有限公司**

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

**(Stock Code: 8490)**

### **MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE INTELLECTUAL PROPERTIES AND CHANGE IN USE OF PROCEEDS FROM THE SHARE OFFER**

**Financial adviser to the Company**



**Octal Capital Limited**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



**INCU Corporate Finance Limited**

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Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A notice convening the extraordinary general meeting of the Company (the “EGM”) to be held at 2:30 p.m. on Wednesday, 2 August 2023 at Unit 208, 2/F., Lakeside 1, Phase Two, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use by the Shareholders at the EGM is enclosed. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.nichetech.com.hk](http://www.nichetech.com.hk).

Whether or not you are able to attend the EGM, you are advised to read this circular and to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for holding 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.

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## CHARACTERISTICS OF GEM

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

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

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## DEFINITIONS

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

|                            |                                                                                                                                                                                                                           |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Acquisition”              | the acquisition of the Intellectual Properties under the Agreement                                                                                                                                                        |
| “Agreement”                | the agreement dated 14 June 2023 entered into between Niche-Tech (HK) and BVI Holdings in relation to the Acquisition                                                                                                     |
| “Bank Facility”            | a bank facility of up to HK\$15.0 million to be granted by a licensed bank in Hong Kong for the purpose of acquisition of the Intellectual Properties                                                                     |
| “Board”                    | the board of Directors                                                                                                                                                                                                    |
| “Business Day(s)”          | any day other than Saturday, Sunday and public holidays in Hong Kong                                                                                                                                                      |
| “BVI Chows”                | Chows Investment Group Limited, a company incorporated in the British Virgin Island with limited liability on 28 September 2016, which is directly and beneficially owned as to 40% by Dr. Chow and 60% by Professor Chow |
| “BVI Holdings” or “Seller” | Niche-Tech Investment Holdings Limited, a company incorporated in the British Virgin Islands with limited liability on 14 October 2016, which is directly, beneficially and wholly owned by BVI Chows                     |
| “COB Encapsulant Knowhow”  | a new know-how of manufacturing a liquid form of encapsulant applied to chip on board compression molding encapsulation                                                                                                   |
| “Company”                  | Niche-Tech Semiconductor Materials Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM (Stock Code: 8490)                                                 |
| “Completion”               | completion of the Acquisition pursuant to the Agreement                                                                                                                                                                   |
| “connected person(s)”      | has the meaning ascribed thereto under the GEM Listing Rules                                                                                                                                                              |
| “Consideration”            | the total consideration for the Acquisition of HK\$38.0 million                                                                                                                                                           |

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## DEFINITIONS

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|----------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Controlling Shareholder(s)”                                   | has the meaning ascribed thereto under the GEM Listing Rules, including any person or group of person who are entitled to exercise 30% or more of the voting power at the Company’s general meeting or are in a position to control the composition of a majority of the Board                                                                                                                                                                                                                 |
| “Director(s)”                                                  | director(s) of the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| “Dr. Chow”                                                     | Dr. Chow Bok Hin Felix, an executive Director, the executive chairman and a Controlling Shareholder of the Company                                                                                                                                                                                                                                                                                                                                                                             |
| “EGM”                                                          | an extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the ordinary resolution in respect of the Agreement and the transactions contemplated thereunder, including the Acquisition                                                                                                                                                                                                                                                         |
| “FC-BGA Encapsulant Knowhow”                                   | a new know-how of manufacturing of a semi-solid encapsulant applied to flip chip ball grid array encapsulation                                                                                                                                                                                                                                                                                                                                                                                 |
| “GEM”                                                          | GEM of the Stock Exchange                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| “GEM Listing Rules”                                            | the Rules Governing the Listing of Securities on GEM                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| “Group”                                                        | the Company and its subsidiaries                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| “HK\$”                                                         | Hong Kong Dollars, the lawful currency of Hong Kong                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| “Hong Kong”                                                    | the Hong Kong Special Administrative Region of the PRC                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| “INCU Corporate Finance” or<br>“Independent Financial Adviser” | INCU Corporate Finance Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Shareholders as to, among others, the fairness and reasonableness of the terms of the transactions contemplated under the Agreement, including the Acquisition, and whether the same are in the interests of the Company and the Shareholders as a whole |
| “Independent Board Committee”                                  | an independent committee of the Board comprising all independent non-executive Directors, namely Professor Ng Wang Wai Charles, Mr. Tai Chun Kit and Mr. Poon Lai Yin Michael, established to advise the Shareholders in respect of the transactions contemplated under the Agreement, including the Acquisition                                                                                                                                                                               |

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## DEFINITIONS

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|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Independent Shareholder(s)” | the Shareholders who are not required to abstain from voting at the EGM to approve the Agreement and the transactions contemplated thereunder, including the Acquisition                                                                                                        |
| “Independent Valuer”         | Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the independent valuer engaged by the Company for the valuation of the Intellectual Properties                                                                                                                     |
| “Intellectual Properties”    | the intellectual properties of the COB Encapsulant Knowhow and FC-BGA Encapsulant Knowhow                                                                                                                                                                                       |
| “Latest Practicable Date”    | 13 July 2023                                                                                                                                                                                                                                                                    |
| “Long Stop Date”             | the date on which closing of the Agreement occurs, which shall be on or before 4 p.m. on 30 November 2023 (or such later date as may be agreed between the parties, being a day other than a Saturday, Sunday or public holiday, when banks in Hong Kong are open for business) |
| “Mini-LED”                   | mini light emitting diode                                                                                                                                                                                                                                                       |
| “Net Proceeds”               | net proceeds of the Share Offer                                                                                                                                                                                                                                                 |
| “Niche-Tech (HK)” or “Buyer” | Niche-Tech (Hong Kong) Limited (駿碼科技(香港)有限公司), a company incorporated in Hong Kong with limited liability on 26 April 2012, and an indirectly wholly-owned subsidiary of the Company                                                                                            |
| “PRC”                        | the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan                                                                                                                                       |
| “Preliminary Valuation”      | the draft report of the Valuation                                                                                                                                                                                                                                               |
| “Previous Announcement”      | the announcement of the Company dated 30 July 2021 in relation to the acquisition of an intellectual property and the change in use of the Net Proceeds                                                                                                                         |
| “Professor Chow”             | Professor Chow Chun Kay Stephen, an executive Director and a Controlling Shareholder of the Company                                                                                                                                                                             |
| “Prospectus”                 | the prospectus of the Company dated 17 May 2018                                                                                                                                                                                                                                 |

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## DEFINITIONS

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|------------------|---------------------------------------------------------------------------------------------------|
| “Share(s)”       | the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company                 |
| “Shareholder(s)” | holder(s) of the Share(s)                                                                         |
| “Share Offer”    | the public offer and the placing of the Shares as set out in the Prospectus                       |
| “SFO”            | the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)                       |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited                                                           |
| “Valuation”      | final valuation of Intellectual Properties as at 30 April 2023 prepared by the Independent Valuer |

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## LETTER FROM THE BOARD

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### **Niche-Tech Semiconductor Materials Limited**

**駿碼半導體材料有限公司**

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

**(Stock Code: 8490)**

*Executive Directors:*

Dr. Chow Bok Hin Felix  
Professor Chow Chun Kay Stephen  
Mr. Shi Yiwu

*Non-executive Director:*

Mr. Li Chiu Fan

*Independent non-executive Directors:*

Professor Ng Wang Wai Charles  
Mr. Poon Lai Yin Michael  
Mr. Tai Chun Kit

*Registered Office in the Cayman Islands:*

Windward 3  
Regatta Office Park  
P.O. Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

*Headquarter and principal place of business  
in Hong Kong:*

Unit 208, 2/F., Lakeside 1, Phase Two  
Hong Kong Science Park, Pak Shek Kok  
New Territories, Hong Kong

18 July 2023

*To the Shareholders,*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION  
IN RELATION TO  
THE ACQUISITION OF THE INTELLECTUAL PROPERTIES  
AND  
CHANGE IN USE OF PROCEEDS FROM THE SHARE OFFER**

### **INTRODUCTION**

On 14 June 2023, Niche-Tech (HK) and BVI Holdings entered into the Agreement pursuant to which Niche-Tech (HK) agreed to purchase and BVI Holdings as beneficial owner agreed to sell the Intellectual Properties.

The purpose of this circular is to provide you with, among other things, (i) details of the Agreement; (ii) the recommendations from the Independent Board Committee in relation to the Agreement and the transactions contemplated thereunder; (iii) the advice from the Independent Financial Adviser in relation to the Agreement and the transactions contemplated thereunder; (iv) a notice of the EGM; and (v) other information as required under the GEM Listing Rules.



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## LETTER FROM THE BOARD

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A summary of the major terms of the Agreement is set out below:

### **Date**

14 June 2023

### **Parties**

- (i) Niche-Tech (HK), as the buyer; and
- (ii) BVI Holdings, as the seller.

### **Sale and purchase of the Intellectual Properties**

Subject to and upon the terms and conditions of the Agreement, BVI Holdings shall as beneficial owner sell the Intellectual Properties to Niche-Tech (HK) and Niche-Tech (HK) shall purchase the Intellectual Properties from BVI Holdings free from all encumbrances.

### **The Intellectual Properties**

The Intellectual Properties include the COB Encapsulant Knowhow and the FC-BGA Encapsulant Knowhow.

The COB Encapsulant Knowhow is a new know-how of manufacturing a liquid form of encapsulant applied to chip on board compression molding encapsulation. The Board considers that the COB Encapsulant Knowhow could utilise instant curing technology for epoxy resin used in the Mini-LED industry. The COB Encapsulant Knowhow was developed by BVI Holdings with features including high toughness, low coefficient of thermal expansion, high reliability and low glass transition temperature. The COB Encapsulant Knowhow is suitable for the small pitch RGB Mini-LED module.

The FC-BGA Encapsulant Knowhow is a new know-how manufacturing of a semi-solid encapsulant applied to flip chip ball grid array encapsulation. The Board considers that the FC-BGA Encapsulant Knowhow could improve the epoxy resin molding material used for encapsulation by changing the types and structures of the resin, accelerators and polyols and improve the continuity of the molding process. Its features also include low coefficient of thermal expansion, high reliability and low glass transition temperature. It is suitable for injection molding process used in the encapsulation of Mini-LED module.

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## LETTER FROM THE BOARD

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### Consideration and payment

Pursuant to the Agreement, the consideration of acquiring the COB Encapsulant Knowhow and the FC-BGA Encapsulant Knowhow shall be HK\$28.2 million and HK\$9.8 million respectively. The Consideration shall therefore be HK\$38.0 million.

The Valuation of the COB Encapsulant Knowhow and the FC-BGA Encapsulant Knowhow were valued as at 30 April 2023 by the Independent Valuer based on cost approach in accordance with the International Valuation Standards issued by International Valuation Standards Council at approximately HK\$29.5 million and HK\$10.2 million respectively. The key assumptions and the details and bases of the methodology adopted in the Valuation are set out in the valuation report in Appendix II to this circular. The Consideration represented a discount of approximately 4.3% to the Valuation.

The Consideration shall be payable by Niche-Tech (HK) in the manners as follows:

- (i) HK\$12.0 million of the Consideration as a deposit was paid to BVI Holdings at the date of signing the Agreement;
- (ii) HK\$12.0 million of the Consideration shall be payable in cash to BVI Holdings upon obtaining the Independent Shareholders' approval at the EGM and the approval from a licensed bank in Hong Kong on the Bank Facility;
- (iii) HK\$12.0 million of the Consideration shall be payable in cash to BVI Holdings upon Completion; and
- (iv) the remaining HK\$2.0 million of the Consideration shall be payable in cash to BVI Holdings three months after the date of the Completion.

The Consideration was determined after arm's length negotiations between Niche-Tech (HK) and BVI Holdings and with reference to (i) the future prospect of the Group associated with the use of the Intellectual Properties; (ii) the Preliminary Valuation; and (iii) the information set out under the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE CHANGE IN USE OF PROCEEDS" below.

The Consideration has been resolved to be financed by internal resources and bank borrowings of the Group.

In assessing the fairness and reasonableness of the market value of the Intellectual Properties, the Directors have reviewed the Valuation and discussed with the Independent Valuer regarding the methodologies adopted for and the basis and major assumptions and quantitative input used in arriving at the market value of the Intellectual Properties. The Directors understand from the Independent Valuer that the Independent Valuer has adopted cost approach for the Valuation which was prepared with reference to historical research and development costs incurred because the Independent Valuer considered that the market approach and income approach are not appropriate due to (i) lack of current market transactions comparable to the Intellectual Properties; and (ii) numerous assumptions over a long-time horizon required for income approach.

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## LETTER FROM THE BOARD

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The Directors have also reviewed the assumptions adopted in the Valuation and have been advised that the key assumptions adopted in the Valuation are commonly used in the valuation of similar assets at similar stage. The Directors have further (i) obtained the latest quotations of the manufacturing supplies from the third party suppliers; (ii) researched from the public sources for the recent labor cost; and (iii) reviewed the board minutes, project reports and the financial information provided by BVI Holdings regarding the cost incurred in the development of the Intellectual Properties. There are no irregularities noted by the Directors in relation to the quantitative inputs in the Valuation. As such, the Directors consider the key assumptions, the quantitative inputs and methodology adopted in the Valuation are fair and reasonable.

The Directors consider that the terms and conditions of the Agreement, including the Consideration, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Conditions and closing of the Agreement**

The closing of the Agreement shall be conditional upon and subject to:

- (i) Niche-Tech (HK) having been satisfied with the results of the due diligence review on the Intellectual Properties;
- (ii) Niche-Tech (HK) having been satisfied with the Valuation;
- (iii) Niche-Tech (HK) having obtained an approval from a licensed bank in Hong Kong on the Bank Facility; and
- (iv) the Company having obtained the approval from the Board (including the independent non-executive Directors) and Independent Shareholders at the EGM for the entering into of the Agreement and the transactions contemplated thereunder.

If the above conditions cannot be fulfilled by the Long Stop Date, the Agreement, save and except certain clauses which shall remain valid, shall terminate and become unenforceable provided that such termination shall be without prejudice to the rights and remedies of either party in respect of any antecedent breach of the Agreement by the other party and any portions of the Consideration paid to BVI Holdings in respect of the Acquisition will be refunded to Niche-Tech (HK) within five Business Days after the Long Stop Date.

As at the Latest Practicable Date, the conditions (i) and (ii) set out in the above have been satisfied.

### **CHANGE IN USE OF PROCEEDS OF THE SHARE OFFER**

As at the Latest Practicable Date, the unutilised Net Proceeds amounted to approximately HK\$23.1 million, representing approximately 27.7% of the Net Proceeds.

## LETTER FROM THE BOARD

Due to the rapid changing business environment, the Group will continue the development of and/or seek for new technologies for its products to capture new opportunities arising from the latest trend, especially increasing market share of semiconductor and Mini-LED display packaging related business. The Board has therefore decided to allocate more resources to deliver high-quality and advanced products to meet the changing needs of the customers of the Group in the semiconductors packaging related encapsulants. To do so, on 14 June 2023, the Company published an announcement (the “**Announcement**”) to report that the Board resolved to reallocate the unutilised Net Proceeds to the research and development for the acquisition of the Intellectual Properties. Details of the change in the use of the Net Proceeds were as follows:

|                                                                                                     | Unutilised<br>revised Net<br>Proceeds as at<br>the date of<br>the Previous<br>Announcement<br><i>HK\$ million</i> | Utilised Net<br>Proceeds up to<br>the date of the<br>Announcement<br><i>HK\$ million</i> | Unutilised Net<br>Proceeds up to<br>the date of the<br>Announcement<br><i>HK\$ million</i> | Change in<br>allocation of<br>Net Proceeds<br><i>HK\$ million</i> | Unutilised<br>revised Net<br>Proceeds up to<br>the Latest<br>Practicable<br>Date<br><i>HK\$ million</i> | Expected<br>timeline for the<br>proposed<br>application of<br>the unutilised<br>Net Proceeds |
|-----------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|-------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| <b>Expand production capacity and upgrade manufacturing facilities</b>                              |                                                                                                                   |                                                                                          |                                                                                            |                                                                   |                                                                                                         |                                                                                              |
| – Acquire or invest on bonding wire business or related business                                    | 19.4                                                                                                              | –                                                                                        | 19.4                                                                                       | (19.4)                                                            | –                                                                                                       | –                                                                                            |
| – Acquire machineries and equipment for quality control                                             | 0.7                                                                                                               | (0.7)                                                                                    | –                                                                                          | –                                                                 | –                                                                                                       | –                                                                                            |
| – Acquire machineries and equipment and upgrading manufacturing facilities for new production lines | 1.8                                                                                                               | (1.0)                                                                                    | 0.8                                                                                        | (0.8)                                                             | –                                                                                                       | –                                                                                            |
| <b>Devote R&amp;D resources</b>                                                                     |                                                                                                                   |                                                                                          |                                                                                            |                                                                   |                                                                                                         |                                                                                              |
| – Acquire the Intellectual Properties                                                               | 10.2                                                                                                              | (10.2)                                                                                   | –                                                                                          | 23.1                                                              | 23.1                                                                                                    | From the Latest Practicable Date to 31 December 2023                                         |
| – Acquire machineries and equipment for R&D enhancement                                             | 3.0                                                                                                               | (0.1)                                                                                    | 2.9                                                                                        | (2.9)                                                             | –                                                                                                       | –                                                                                            |
| – Engage external consultants for R&D projects                                                      | 1.5                                                                                                               | (1.5)                                                                                    | –                                                                                          | –                                                                 | –                                                                                                       | –                                                                                            |
| <b>Increase sales and marketing activities</b>                                                      | 2.3                                                                                                               | (2.3)                                                                                    | –                                                                                          | –                                                                 | –                                                                                                       | –                                                                                            |
| <b>Total</b>                                                                                        | 38.9                                                                                                              | (15.8)                                                                                   | 23.1                                                                                       | –                                                                 | 23.1                                                                                                    |                                                                                              |

Based on the above table, the Board resolved to reallocate the unutilised Net Proceeds of approximately HK\$23.1 million originally for (i) acquiring or investing on bonding wire business or related business; (ii) acquiring machineries and equipment and upgrading manufacturing facilities for new production lines; and (iii) acquiring machineries and equipment for R&D enhancement to acquiring the Intellectual Properties, being the Acquisition.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE CHANGE IN USE OF PROCEEDS

The Group is principally engaged in the development, manufacture and sales of semiconductor packaging materials.

#### Acquisition

According to the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”), the Company recorded total revenue of approximately HK\$217.9 million, in which approximately HK\$106.0 million was generated from the sale of bonding wire, represented a decrease of approximately HK\$56.5 million or 34.8% as compared to that for the corresponding period in 2021. Such decrease was mainly due to domestic epidemic situation. At the same time, the revenue from sale of encapsulants increased by approximately HK\$23.8 million from approximately HK\$76.6 million for the year ended 31 December 2021 to approximately HK\$100.4 million for the year ended 31 December 2022. The increase in sale of encapsulants was mainly due to growing domestic market demand. The gross profit margin improved from approximately 23.4% for the year ended 31 December 2021 to approximately 26.6% for the year ended 31 December 2022, mainly as a result of the increase in selling of encapsulant products with a higher gross profit margin.

It has been the Group’s business strategies to continue expanding its customer base by delivering high-quality and advanced products to meet its customers’ changing needs. The Group is continuing the development of and/or seek for new technologies to provide customers with more enhanced products to meet their demands for enhancing their competitiveness in the LED industry. The Group has also considered to expand its customer base from commercial application to home appliance products. The expanded application will as a result cover not only commercial applications such as LED display screens in airport and shopping malls, but also home appliance products such as Mini-LED television.

The Mini-LED market in the PRC has been growing rapidly in recent years. More home appliance products equipped with Mini-LED have been launched, including television, gaming monitor, etc. Compared to the traditional LED, Mini-LED is much smaller which allows for more precise control over the backlighting in displays. Mini-LED improved the contrast and brightness, providing a better image quality. Mini-LED is also more power-efficient than traditional LED, which can lead to longer battery life in portable devices. It is expected Mini-LED will be widely used in the future for the production of domestic electronic application.

In view of the continuous growth in the Mini-LED market, the Directors are of the view that the Acquisition would enable the Group to seize the opportunities arising from the expected market growth in the Mini-LED industry and the Group’s competitiveness in encapsulant market by enriching its product mix.

With the Intellectual Properties, the Group can produce two types of encapsulant to its clients which could be used in two types of encapsulation of Mini-LED.

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## LETTER FROM THE BOARD

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The COB Encapsulant Knowhow is a new know-how of manufacturing a liquid form of encapsulant applied chip on board compression molding encapsulation. The COB Encapsulant Knowhow could utilise instant curing technology for epoxy resin used which is suitable for Mini-LED encapsulation. Its features also include high toughness, low coefficient of thermal expansion, high reliability and low glass transition temperature.

The FC-BGA Encapsulant Knowhow is a new know-how of manufacturing a semi-solid encapsulant applied flip chip ball grid array encapsulation. The FC-BGA Encapsulant Knowhow would improve the epoxy resin molding material used for encapsulation by changing the types and structures of the resin, accelerators and polyols. Its features also include low coefficient of thermal expansion, high reliability and low glass transition temperature. It is suitable for injection molding process used in the encapsulation of Mini-LED module.

In view of the ever-changing technology in the LED industry and the increasing miniaturisation in electronics, continuous enhancement and development of encapsulant is important. However, development of a new encapsulant can be costly and time consuming. The new encapsulants based on the Intellectual Properties, which are complete and fully developed know-how, will allow the Group to commence the production of the new encapsulants immediately after the completion of the Agreement. The Directors therefore believe that the Acquisition can save time and efforts of the Group from developing its own encapsulants having similar characteristics of the Intellectual Properties.

### **Change in Use of Proceeds**

The Directors are of the view that the Group should allocate more resources to the development of the encapsulant market while maintaining its competitiveness of bonding wire market in the PRC. To enable the Group to better utilise its financial resources, the Group has resolved to reallocate approximately HK\$23.1 million of the unutilised Net Proceeds to the research and development of the Group.

To further improve the Group's competitiveness in the encapsulant market, the Group has decided to spend the reallocated Net Proceeds to acquire the Intellectual Properties. The Directors believe that the Acquisition in relation to the new know-how of encapsulants will save the Group's time and efforts that will otherwise be spent on its own research and development and allow the Group to immediately commence the production of the new products with better specification and at lower costs to meet the increasing demand of the Mini-LED Market.

In view of the above, the Directors are of the view that the aforesaid change of the unutilised Net Proceeds is favourable to the Group's long term business development and represents a more appropriate utilisation of the unutilised Net Proceeds. The Board will closely monitor the utilisation of the unutilised Net Proceeds with the interests of the Company and its Shareholders. The Board confirms that there is no material change in the business nature of the Group as set out in the Prospectus and the published quarterly, interim and annual reports of the Company. The Board has considered that the proposed change in use of Net Proceeds will not have any material adverse impact in the operations and business of the Group and is in the best interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### EFFECT OF THE ACQUISITIONS ON THE COMPANY'S EARNINGS, ASSETS AND LIABILITIES

#### Earning

No material impact on the earnings of the Group as a result of the completion of the Agreement is expected.

#### Assets and liabilities

As at 31 December 2022, the audited total assets of the Group amounted to approximately HK\$311.7 million. Upon completion of the Acquisition, the Intellectual Properties will be recognised as non-current assets of the Group with book value of approximately HK\$38.0 million (being the Consideration) and the Group will settle the Consideration for the Acquisition in cash and bank borrowings. Therefore, it is expected that the total assets will improve and the bank borrowings of the Group will increase.

### INFORMATION ON BVI HOLDINGS

The principal business activity of BVI Holdings is investment holding. As at the Latest Practicable Date, it is ultimately owned as to 40% by Dr. Chow and as to 60% by Professor Chow.

### GEM LISTING RULES IMPLICATIONS

BVI Chows holds 100% of the total issued share capital of BVI Holdings and is directly and beneficially owned as to 40% by Dr. Chow, an executive Director, the executive chairman of the Company and a Controlling Shareholder and 60% by Professor Chow, an executive Director and a Controlling Shareholder; and BVI Holdings holds 357,000,000 Shares, representing approximately 50.6% of the total issued share capital of the Company. As such, BVI Holdings is a connected person of the Company and accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

Professor Chow and Dr. Chow have a material interest in the Acquisition. Professor Chow and Dr. Chow have abstained from voting on the Board resolution for the approval of the Agreement and the transactions contemplated thereunder, including the Acquisition. Since BVI Holdings is a party to the Agreement and the transaction contemplated thereunder, it is required to abstain from voting on the relevant resolution approving same at the EGM.

As the highest applicable ratio (as defined in the GEM Listing Rules) in relation to the Agreement exceeds 25% but is less than 100%, according to Chapter 19 of the GEM Listing Rules, the Acquisition also constitutes a major transaction of the Company and are subject to the reporting, announcement and shareholders' approval requirements.

The Independent Board Committee comprising all the independent non-executive Directors was formed to advise the Shareholders on, among others, the terms of the transactions contemplated under the Agreement, including the Acquisition. The Company has appointed INCU Corporate Finance as the Independent Financial Adviser to make recommendations to the Independent Board Committee.

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## LETTER FROM THE BOARD

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### EGM AND PROXY ARRANGEMENT

The notice convening the EGM to be held at 2:30 p.m. on Wednesday, 2 August 2023 at Unit 208, 2/F., Lakeside 1, Phase Two, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular. At the EGM, a resolution will be proposed to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder.

A form of proxy for use in connection with the EGM is enclosed herewith. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the branch share registrar and transfer office of the Company in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

### VOTING AT THE EGM

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the resolution to be proposed at the EGM and contained in the notice of the EGM will be voted by way of a poll by the Shareholders.

### RECOMMENDATIONS

The Directors consider that the terms of the Agreement and transactions contemplated thereunder, including the Acquisition, are fair and reasonable so far as the Company and the Shareholders are concerned, and that they are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder, including the Acquisition.

### ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 14 to 15 of this circular which contains the recommendation of the Independent Board Committee to the Shareholders in relation to the Agreement and the transactions contemplated thereunder; (ii) the letter from the Independent Financial Adviser set out on pages 16 to 29 of this circular which contains its advice to the Independent Board Committee and the Shareholders in relation to the Agreement and the transactions contemplated thereunder together with the principal factors and reasons considered by it in concluding its advice; and (iii) the additional information set out in the appendices to this circular.

### LANGUAGE

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

Your faithfully,  
By Order of the Board  
**Niche-Tech Semiconductor Materials Limited**  
**Chow Bok Hin Felix**  
*Executive Chairman and Executive Director*



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the full text of a letter from the Independent Board Committee setting out its recommendation to the Shareholders in relation to the Agreement and the transaction contemplated thereunder, including the Acquisitions for the purpose of incorporation in this circular, setting out its recommendation to the Shareholders as to its opinion and recommendations in respect of the Agreement and the transactions contemplated thereunder.*



nichetech

**Niche-Tech Semiconductor Materials Limited**

**駿碼半導體材料有限公司**

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

**(Stock Code: 8490)**

18 July 2023

*To the Shareholders*

Dear Sir or Madam,

### **MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE INTELLECTUAL PROPERTIES**

We refer to the circular to the Shareholders dated 18 July 2023 issued by the Company (the “**Circular**”), of which this letter forms part. Capitalised terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider the Agreement and the transactions contemplated thereunder, including the Acquisition, and to advise the Shareholders whether the terms of the Agreement and the transactions contemplated thereunder, including the Acquisition are fair and reasonable so far as the Shareholders are concerned, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole and to the voting action that should be taken. INCU Corporate Finance Limited has been appointed to advise the Independent Board Committee and the Shareholders in this regard.

### **RECOMMENDATION**

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 13 of the Circular, and the letter from INCU Corporate Finance Limited which contains its advice to the Independent Board Committee and the Shareholders in relation to the Agreement and the transactions contemplated thereunder, including the Acquisition, as well as the principal factors and reasons considered by INCU Corporate Finance Limited in arriving at its recommendation as set out on pages 16 to 29 of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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After taking into consideration the advice from INCU Corporate Finance Limited, we consider that the terms of the Agreement and the transactions contemplated thereunder, including the Acquisition, are fair and reasonable so far as the Shareholders are concerned and on normal commercial terms, and that they are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder, including the Acquisition.

Yours faithfully

Independent Board Committee

**Professor Ng Wang Wai Charles**

*Independent non-executive*

*Director*

**Mr. Tai Chun Kit**

*Independent non-executive*

*Director*

**Mr. Poon Lai Yin Michael**

*Independent non-executive*

*Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from INCU Corporate Finance Limited, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in connection with the Agreement and the transaction contemplated thereunder.*



INCU Corporate Finance Limited  
Unit 1402, 14/F, Winsome House,  
73 Wyndham Street,  
Central, Hong Kong

18 July 2023

*To: The Independent Board Committee and  
the Independent Shareholders of  
Niche-Tech Semiconductor Materials Limited*

Dear Sirs or Madams,

### MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE INTELLECTUAL PROPERTIES

#### INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the board (the “**Letter from the Board**”) contained in the circular of the Company dated 18 July 2023 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the announcement of the Company dated 14 June 2023, on 14 June 2023, Niche-Tech (HK) and BVI Holdings entered into the Agreement pursuant to which Niche-Tech (HK) agreed to purchase and BVI Holdings as beneficial owner agreed to sell the Intellectual Properties for a total consideration of HK\$38.0 million, representing a discount of approximately 4.3% to the preliminary valuation of the Intellectual Properties prepared by the Independent Valuer.

As at the Latest Practicable Date, (i) BVI Chows holds 100% of the total issued share capital of BVI Holdings and is directly and beneficially owned as to 40% by Dr. Chow, an executive Director, the executive chairman of the Company and a Controlling Shareholder and 60% by Professor Chow, an executive Director and a Controlling Shareholder; and (ii) BVI Holdings holds 357,000,000 Shares, representing approximately 50.6% of the total issued share capital of the Company. As such, BVI Holdings is a connected person of the Company and accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

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## **LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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As the highest applicable ratio (as defined in the GEM Listing Rules) in relation to the Agreement exceeds 25% but is less than 100%, according to Chapter 19 of the GEM Listing Rules, the Acquisition also constitute a major transaction of the Company and are subject to the reporting, announcement and shareholders' approval requirements.

Professor Chow and Dr. Chow have a material interest in the Acquisition. Professor Chow and Dr. Chow have abstained from voting on the Board resolution for the approval of the Agreement and the transactions contemplated thereunder, including the Acquisition. Since BVI Holdings is a party to the Agreement and the transaction contemplated thereunder, it is required to abstain from voting on the relevant resolution approving same at the EGM.

We have not acted as an independent financial adviser and not provided any other services to the Company during the past two years. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or any other parties that could reasonably be regarded as hindrance to our independence as defined under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Acquisition, and accordingly, are eligible to give independent advice and recommendations on the Agreement and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties that could reasonably be regarded as relevant to our independence.

### **INDEPENDENT BOARD COMMITTEE**

An Independent Board Committee comprising all the independent non-executive Directors, namely Professor Ng Wang Wai Charles, Mr. Poon Lai Yin Michael and Mr. Tai Chun Kit, has been established to advise the Independent Shareholders in respect of the terms of the Agreement and as to whether the Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, taking into account our recommendation.

As the Independent Financial Adviser, our role is to give independent opinions to the Independent Board Committee and the Independent Shareholders as to whether the Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **BASIS OF OUR OPINION**

In formulating our opinion and recommendations, we have relied on the statements, information, opinions and representations relating to the operations, financial condition and prospects of the Group contained or referred to in this Circular and/or provided to us by the Company and the management of the Group. We have assumed that such information and any representation made to us were true, accurate and complete in all material respects as at the Latest Practicable Date and considered that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in this Circular have been arrived at after due and careful consideration and there are no other material facts not contained in this Circular, the omission of which would make any such statement made by them that contained in this Circular misleading in all material respects. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld.

Our review and analyses were based upon, among others, the information provided by the Group including this Circular, the valuation report prepared by Independent Valuer (the “**Valuation Report**”), as set out in Appendix II of this Circular and certain published information from the public domain, including but not limited to, the annual report of the Company for the year ended 31 December 2022 (the “**Annual Report 2022**”). We have also discussed with the Directors and the management of the Company with respect to the terms of and the basis and assumptions adopted in the Valuation Report and the reasons for and benefits of the Acquisition. We have not, however, for the purpose of this exercise, conducted any in-depth independent investigation into the businesses, affairs and financial positions of the Group nor have we carried out any independent verification of the information supplied.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, we have taken into account the following principal factors and reasons:

#### **1. Background and financial information of the Group**

##### *(a) Background of the Group*

As stated in the Annual Report 2022, the Group is an established semiconductor packaging materials manufacturer specializing in the development, manufacture, and sales of the bonding wire and encapsulant with headquarter in Hong Kong and production facilities in Shantou, the PRC. During the year ended 31 December 2022, the Group continued to sell its products directly to more than 600 customers, including renowned manufacturers of LEDs, camera modules and ICs primarily in the PRC.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(b) *Financial performance of the Group*

Set out below is a summary of the financial performance of the Group for the two financial years ended 31 December 2021 (“FY2021”) and 31 December 2022 (“FY2022”) respectively as extracted from the Annual Report 2022:

|                               | <b>FY2021</b>        | <b>FY2022</b>        |
|-------------------------------|----------------------|----------------------|
|                               | <i>approximately</i> | <i>approximately</i> |
|                               | <i>HK\$’000</i>      | <i>HK\$’000</i>      |
|                               | <i>(audited)</i>     | <i>(audited)</i>     |
| <b>Revenue</b>                |                      |                      |
| (i) Bonding wire              | 162,494              | 105,955              |
| (ii) Encapsulant              | 76,622               | 100,372              |
| (iii) Others                  | 9,923                | 11,532               |
| <b>Total revenue</b>          | <b>249,039</b>       | <b>217,859</b>       |
| <b>Gross profit</b>           | <b>58,341</b>        | <b>57,992</b>        |
| <b>Profit before taxation</b> | <b>10,507</b>        | <b>14,211</b>        |
| <b>Profit for the year</b>    | <b>6,849</b>         | <b>8,640</b>         |

The Group’s revenue principally represents income derived from its main products, namely bonding wire and encapsulant. As stated in the Annual Report 2022, the Group recorded a revenue of approximately HK\$217.9 million for FY2022, which was decreased by approximately 12.5% from approximately HK\$249.0 million for FY2021. The revenue of bonding wire products amounted to approximately HK\$106.0 million for FY2022, representing a decrease of approximately HK\$56.5 million or 34.8% as compared with approximately HK\$162.5 million for FY2021, while the revenue of encapsulant products recorded approximately HK\$100.4 million for FY2022, representing an increase of approximately HK\$23.8 million or 31.1% as compared with approximately HK\$76.6 million for FY2021. The change in revenue for both products was due to the Group’s strategic adjustment on its product mix to maximize the Shareholders’ return, and therefore more encapsulant products with a higher gross profit margin were sold during FY2022.

Although the Group’s revenue for FY2022 decreased, the gross profit of the Group maintained at approximately HK\$58.0 million for FY2022 as compared with approximately HK\$58.3 million for FY2021. Gross profit margin improved to approximately 26.6% for FY2022 from approximately 23.4% for FY2021.

The Group’s net profit increased approximately 26.5% from approximately HK\$6.8 million for FY2021 to approximately HK\$8.6 million for FY2022. Such increase was mainly due to a better product mix and strong new product sales which resulted in an improvement on the gross profit margin of the Group as mentioned above; and net foreign exchange gain due to the depreciation of Renminbi.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(c) *Financial position of the Group*

Set out below is the consolidated statement of financial position of the Group as at 31 December 2021 and 31 December 2022 respectively as extracted from Annual Report 2022:

|                                                                            | <b>As at<br/>31 December<br/>2021<br/><i>approximately</i><br/>HK\$'000<br/>(audited)</b> | <b>As at<br/>31 December<br/>2022<br/><i>approximately</i><br/>HK\$'000<br/>(audited)</b> |
|----------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| <b>Non-current assets</b>                                                  |                                                                                           |                                                                                           |
| Plant and equipment                                                        | 41,861                                                                                    | 41,301                                                                                    |
| Right-of-use assets                                                        | 13,767                                                                                    | 11,938                                                                                    |
| Intangible assets                                                          | 71,188                                                                                    | 69,076                                                                                    |
| Deposits paid for acquisition of plant and equipment and intangible assets | 2,545                                                                                     | 5,440                                                                                     |
| Rental deposits                                                            | 572                                                                                       | 562                                                                                       |
| Deferred tax assets                                                        | 2,103                                                                                     | 1,776                                                                                     |
|                                                                            | <b>132,036</b>                                                                            | <b>130,093</b>                                                                            |
| <b>Current assets</b>                                                      |                                                                                           |                                                                                           |
| Inventories                                                                | 35,519                                                                                    | 33,664                                                                                    |
| Trade and bill receivables                                                 | 129,001                                                                                   | 105,302                                                                                   |
| Other receivables, prepayments and deposits                                | 2,551                                                                                     | 2,399                                                                                     |
| Bank deposits                                                              | 17,536                                                                                    | 19,145                                                                                    |
| Bank balances and cash                                                     | 15,178                                                                                    | 21,070                                                                                    |
|                                                                            | <b>199,785</b>                                                                            | <b>181,580</b>                                                                            |
| <b>Total current assets</b>                                                | <b>199,785</b>                                                                            | <b>181,580</b>                                                                            |
| <b>Total assets</b>                                                        | <b>331,821</b>                                                                            | <b>311,673</b>                                                                            |
| <b>Current liabilities</b>                                                 |                                                                                           |                                                                                           |
| Trade and other payables                                                   | 25,136                                                                                    | 23,614                                                                                    |
| Contract liabilities                                                       | 579                                                                                       | 718                                                                                       |
| Lease liabilities                                                          | 3,373                                                                                     | 5,238                                                                                     |
| Deferred income                                                            | 1,436                                                                                     | 1,324                                                                                     |
| Tax payable                                                                | 3,869                                                                                     | 7,325                                                                                     |
| Bank borrowings                                                            | 23,610                                                                                    | 26,280                                                                                    |
| Bank overdraft                                                             | 12,231                                                                                    | 5,640                                                                                     |
|                                                                            | <b>70,234</b>                                                                             | <b>70,139</b>                                                                             |
| <b>Total current liabilities</b>                                           | <b>70,234</b>                                                                             | <b>70,139</b>                                                                             |
| <b>Non-current liabilities</b>                                             |                                                                                           |                                                                                           |
| Lease liabilities                                                          | 13,106                                                                                    | 9,321                                                                                     |
| Deferred income                                                            | 5,296                                                                                     | 3,560                                                                                     |
|                                                                            | <b>18,402</b>                                                                             | <b>12,881</b>                                                                             |
| <b>Total non-current liabilities</b>                                       | <b>18,402</b>                                                                             | <b>12,881</b>                                                                             |
| <b>Total liabilities</b>                                                   | <b>88,636</b>                                                                             | <b>83,020</b>                                                                             |
| <b>Net assets</b>                                                          | <b>243,185</b>                                                                            | <b>228,653</b>                                                                            |

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown in the above table, we note that the total assets of the Group including non-current assets and current assets do not have material increase or decrease over the year between 31 December 2021 and 31 December 2022.

As stated in the Annual Report 2022, despite the ongoing crisis of COVID-19 pandemic and continuous geopolitical complications around the world for FY2022, the Group will continue to carry out its proven business strategies and expand its customer base by delivering high-quality and advanced products to meet their changing needs. As for Mini-LED display, the Group will continue the development of and/or seek for new technologies to provide its clients with more enhanced products to meet its client's demands for enhancing their competitiveness. The Group is also considering about expanding its clients base from commercial to domestic. The application will not be limited to commercial applications such as LED display screens in airport and shopping malls, but will also include domestic electronic applications.

According to the Letter from the Board, it has been the Group's business strategies to continue expanding its customer base by delivering high-quality and advanced products to meet its customers' changing needs. As the Mini-LED market in the PRC has been growing rapidly in recent years, with the Intellectual Properties, the Group can produce two types of encapsulant to its clients which could be used in two types of encapsulation of Mini-LED. Therefore, we consider that the Acquisition is in line with the Group's business strategy as stated in the Annual Report 2022.

### 2. **Principal terms of the Agreement**

The principal terms of the Agreement are set out as follows:

#### **Date**

14 June 2023

#### **Parties**

- (i) Niche-Tech (HK), as the buyer; and
- (ii) BVI Holdings, as the seller.

#### **Sale and purchase of the Intellectual Properties**

Subject to and upon the terms and conditions of the Agreement, BVI Holdings shall as beneficial owner sell the Intellectual Properties to Niche-Tech (HK) and Niche-Tech (HK) shall purchase the Intellectual Properties from BVI Holdings free from all encumbrances.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **The Intellectual Properties**

The Intellectual Properties include the COB Encapsulant Knowhow and the FC-BGA Encapsulant Knowhow.

The COB Encapsulant Knowhow is a new know-how of manufacturing a liquid form of encapsulant applied to chip on board compression molding encapsulation. The Board considers that the COB Encapsulant Knowhow could utilise instant curing technology for epoxy resin used in the Mini-LED industry. The COB Encapsulant Knowhow was developed by BVI Holdings with features including high toughness, low coefficient of thermal expansion, high reliability and low glass transition temperature. The COB Encapsulant Knowhow is suitable for the small pitch RGB Mini-LED module.

The FC-BGA Encapsulant Knowhow is a new know-how manufacturing of a semi-solid encapsulant applied to flip chip ball grid array encapsulation. The Board considers that the FC-BGA Encapsulant Knowhow could improve the epoxy resin molding material used for encapsulation by changing the types and structures of the resin, accelerators and polyols and improve the continuity of the molding process. Its features also include low coefficient of thermal expansion, high reliability and low glass transition temperature. It is suitable for injection molding process used in the encapsulation of Mini-LED module.

### **Consideration and payment**

Pursuant to the Agreement, the consideration of acquiring the COB Encapsulant Knowhow and the FC-BGA Encapsulant Knowhow shall be HK\$28.2 million and HK\$9.8 million respectively. The Consideration shall therefore be HK\$38.0 million.

The Valuation of the COB Encapsulant Knowhow and the FC-BGA Encapsulant Knowhow were valued as at 30 April 2023 (“**Valuation Date**”) by the Independent Valuer based on cost approach in accordance with the International Valuation Standards issued by International Valuation Standards Council at approximately HK\$29.5 million and HK\$10.2 million respectively. The key assumptions and the details and bases of the methodology adopted in the Valuation are set out in the Valuation Report in Appendix II to the Circular. The Consideration represented a discount of approximately 4.3% to the Valuation.

The Consideration shall be payable by Niche-Tech (HK) in the manners as follows:

- (i) HK\$12.0 million of the Consideration as a deposit was paid to BVI Holdings at the date of signing the Agreement;
- (ii) HK\$12.0 million of the Consideration shall be payable in cash to BVI Holdings upon obtaining the Independent Shareholders’ approval at the EGM and the approval from a licensed bank in Hong Kong on the Bank Facility;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iii) HK\$12.0 million of the Consideration shall be payable in cash to BVI Holdings upon Completion; and
- (iv) The remaining HK\$2.0 million of the Consideration shall be payable in cash to BVI Holdings three months after the date of the Completion.

The Consideration was determined after arm's length negotiations between Niche-Tech (HK) and BVI Holdings and with reference to (i) the future prospect of the Group associated with the use of the Intellectual Properties; (ii) the Preliminary Valuation; and (iii) the information set out under the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE CHANGE IN USE OF PROCEEDS" in the Letter from the Board.

The Consideration has been resolved to be financed by internal resources and bank borrowings of the Group.

In assessing the fairness and reasonableness of the market value of the Intellectual Properties, the Directors have reviewed the Valuation and discussed with the Independent Valuer regarding the methodologies adopted for and the basis and major assumptions and quantitative input used in arriving at the market value of the Intellectual Properties. The Directors understand from the Independent Valuer that the Independent Valuer has adopted cost approach for the Valuation which was prepared with reference to historical research and development costs incurred because the Independent Valuer considered that the market approach and income approach are not appropriate due to (a) lack of current market transactions comparable to the Intellectual Properties; and (b) numerous assumptions over a long-time horizon required for income approach.

The Directors have also reviewed the assumptions adopted in the Valuation and have been advised that the key assumptions adopted in the Valuation are commonly used in the valuation of similar assets at similar stage. The Directors have further (i) obtained the latest quotations of the manufacturing supplies from the third party suppliers; (ii) researched from the public sources for the recent labor cost; and (iii) reviewed the board minutes, project reports and the financial information provided by BVI Holdings regarding the cost incurred in the development of the Intellectual Properties. There are no irregularities noted by the Directors in relation to the quantitative inputs in the Valuation. As such, the Directors consider the key assumptions, the quantitative inputs and methodology adopted in the Valuation are fair and reasonable.

The Directors consider that the terms and conditions of the Agreement, including the Consideration, are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Conditions and closing of the Agreement

The closing of the Agreement shall be conditional upon and subject to:

- (i) Niche-Tech (HK) having been satisfied with the results of the due diligence review on the Intellectual Properties;
- (ii) Niche-Tech (HK) having been satisfied with the Valuation;
- (iii) Niche-Tech (HK) having obtained an approval from a licensed bank in Hong Kong on the Bank Facility; and
- (iv) the Company having obtained the approval from the Board (including the independent non-executive Directors) and Independent Shareholders at the EGM for the entering into of the Agreement and the transactions contemplated thereunder.

If the above conditions cannot be fulfilled by the Long Stop Date, the Agreement, save and except certain clauses which shall remain valid, shall terminate and become unenforceable provided that such termination shall be without prejudice to the rights and remedies of either party in respect of any antecedent breach of the Agreement by the other party and any portions of the Consideration paid to BVI Holdings in respect of the Acquisition will be refunded to Niche-Tech (HK) within five Business Days after the Long Stop Date.

As at the Latest Practicable Date, the conditions (i) and (ii) set out in the above have been satisfied.

### 3. Valuation of the Intellectual Properties

As disclosed in the Letter from the Board, the Consideration was determined after arm's length negotiations between Niche-Tech (HK) and BVI Holdings with reference to, among other things, the appraised market value of intellectual properties of the COB Encapsulant Knowhow and the FC-BGA Encapsulant Knowhow as at the Valuation Date by the Independent Valuer based on cost approach at approximately HK\$29.5 million and HK\$10.2 million respectively. Details of the Valuation and the Valuation Report are set out in Appendix II to the Circular.

For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of the Independent Valuer with the Company; (ii) the Independent Valuer's background and qualification in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Independent Valuer for conducting the Valuation Report. From the information provided by the Independent Valuer and based on our discussion with them, we understand that Mr. Simon Chan, the responsible officer of the Independent Valuer for the valuation of the Intellectual Properties, is a fellow (FCPA) of the Hong Kong Institute of Certified Public Accountants (HKICPA) and CPA Australia and has over 20 years of accounting, auditing, corporate advisory and valuation experiences. Furthermore, the Independent Valuer has provided a wide range of valuation services to numerous listed and listing companies of different industries in the PRC, Hong Kong, Singapore and the United States. Therefore, we are satisfied with the Independent Valuer's qualification for preparation of the Valuation Report.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In assessing the fairness and reasonableness of the consideration of the Acquisition, we have reviewed the Valuation Report and upon our further discussion with the Independent Valuer, we understand that the Independent Valuer has adopted cost approach in arriving the appraised value of the Intellectual Properties after considering the following reasons as stated in the Valuation Report:

(1) Income approach

The income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long-time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

(2) Market approach

The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

(3) Cost approach

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market. Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

The Independent Valuer considers the income approach is inappropriate as this approach require detailed information and long-term financial projection of the Intellectual Properties but such information is not available together with objective supporting documents and information. The market approach is inappropriate as it requires market transactions comparable to the Intellectual Properties as an indication of value. However, the Independent Valuer has not identified any current market transactions which are comparable to Intellectual Properties.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Independent Valuer has adopted the cost approach with consideration of the nature and background of the Intellectual Properties. According to the Valuation Report, the Company has explained to the Independent Valuer that in the industry in which they operate, i.e. semiconductor packaging, the research and development of any new technology is generally planned at least 3 to 5 years ahead of its potential deployment. The Company has further advised that market demand is an essential factor for the deployment of a new technology. When the development of the Intellectual Properties were completed in 2015, the existing products in the market had not yet reached the end of their respective product life cycles, Mini-LED has not started to become popular in the market and not yet reached the mass production stage. It is only until more recent that Mini-LED become more popular in the market, and some of the customers have inquired with the Company about the Mini-LED products especially products related to the Intellectual Properties.

We have also reviewed the appraisal assumptions in the Valuation Report as set out in Appendix II to the Circular and confirm that the assumptions are fair and reasonable and appropriate for valuation of the Intellectual Properties.

We have inquired the Independent Valuer on the applicability of the abovementioned assumptions and we understand that such assumptions are generally and consistently adopted in other valuation exercises and are in line with the market practices. We are therefore of the view that the assumptions adopted in the Valuation are reasonable. During the course of our discussion with Independent Valuer, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the valuation methodology and the principal basis and assumptions adopted in arriving at the appraised value of the Intellectual Properties.

As advised by the Independent Valuer, the valuation of the Intellectual Properties using cost approach was estimated based on the historical costs of direct materials, manufacturing supplies and direct labor in relation to the development of the Intellectual Properties, which were then adjusted with changes in the price level between actual project development period and the Valuation Date.

We have reviewed the underlying calculation and estimation of the historical costs of direct materials, manufacturing supplies and direct labor of the Intellectual Properties. From our review of the underlying calculation, we note that the historical costs of (i) the direct materials are based on the information in the board minutes and Intellectual Properties' research development records as obtained from the Seller; (ii) the manufacturing supplies are based on the list of equipment as attached to the abovementioned board minutes and the estimated depreciation of the equipment, which was calculated by the quotes of purchasing such equipment as obtained from the independent equipment suppliers adjusted by the time length of the use of the equipment (i.e., the actual project development period) on a straight-line method; and (iii) direct labor are based on the number of researchers for developing the Intellectual Properties as stated in the abovementioned Intellectual Properties' research development records and the average of the salaries information as obtained from the several sources of salaries statistics. The breakdown of the market value of the COB Encapsulant Knowhow and the FC-BGA Encapsulant Knowhow by the abovementioned three parameters of direct materials, manufacturing supplies and direct labour, and the summary of the quantitative input used in the valuation, as extracted from the underlying calculation that we have reviewed, are set out in the Valuation Report in Appendix II to the Circular.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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After reviewing the basis and underlying calculation of the valuation (including the quantitative input used in the valuation) and discussing with the Independent Valuer, we consider the above methodology are reasonable approaches in establishing the market values of the Intellectual Properties.

Based on our review of the Valuation Report and discussion with the Independent Valuer regarding, among others, (i) the scope of work and experiences of the Independent Valuer; (ii) the reasons and appropriateness of adopting the cost approach for the valuation of the Intellectual Properties; (iii) the basis, assumptions and methodology adopted in the Valuation Report; and (iv) the valuation work performed by the Independent Valuer, nothing has come to our attention that causes us to doubt the fairness and reasonableness of the preparation of the Valuation Report. In view of the above, we consider that the valuation performed by the Independent Valuer as well as the basis, assumptions and methodology adopted in the Valuation Report are appropriate.

#### **4. Reasons for and benefits of the Acquisition**

According to the Letter from the Board, it has been the Group's business strategies to continue expanding its customer base by delivering high-quality and advanced products to meet its customers' changing needs. The Group is continuing the development of and/or seek for new technologies to provide customers with more enhanced products to meet their demands for enhancing their competitiveness in the LED industry. The Group has also considered to expand its customer base from commercial application to home appliance products. The expanded application will as a result cover not only commercial applications such as LED display screens in airport and shopping malls, but also home appliance products such as Mini-LED television. The Mini-LED market in the PRC has been growing rapidly in recent years. More home appliance products equipped with Mini-LED have been launched, including television, gaming monitor, etc. Compared to the traditional LED, Mini-LED is much smaller which allows for more precise control over the backlighting in displays. Mini-LED improved the contrast and brightness, providing a better image quality. Mini-LED is also more power-efficient than traditional LED, which can lead to longer battery life in portable devices. It is expected Mini-LED will be widely used in the future for the production of domestic electronic application.

In view of the continuous growth in the Mini-LED market, the Directors are of the view that the Acquisition would enable the Group to seize the opportunities arising from the expected market growth in the Mini-LED industry and the Group's competitiveness in encapsulant market by enriching its product mix.

With the Intellectual Properties, the Group can produce two types of encapsulant to its clients which could be used in two types of encapsulation of Mini-LED.

The COB Encapsulant Knowhow is a new know-how of manufacturing a liquid form of encapsulant applied chip on board compression molding encapsulation. The COB Encapsulant Knowhow could utilise instant curing technology for epoxy resin used which is suitable for Mini-LED encapsulation. Its features also include high toughness, low coefficient of thermal expansion, high reliability and low glass transition temperature.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The FC-BGA Encapsulant Knowhow is a new know-how of manufacturing a semi-solid encapsulant applied flip chip ball grid array encapsulation. The FC-BGA Encapsulant Knowhow would improve the epoxy resin molding material used for encapsulation by changing the types and structures of the resin, accelerators and polyols. Its features also include low coefficient of thermal expansion, high reliability and low glass transition temperature. It is suitable for injection molding process used in the encapsulation of Mini-LED module.

In view of the ever-changing technology in the LED industry and the increasing miniaturisation in electronics, continuous enhancement and development of encapsulant is important. However, development of a new encapsulant can be costly and time consuming. The new encapsulants based on the Intellectual Properties, which are complete and fully developed know-how, will allow the Group to commence the production of the new encapsulants immediately after the completion of the Acquisition. The Directors therefore believe that the Acquisition can save time and efforts of the Group from developing its own encapsulants having similar characteristics of the Intellectual Properties.

We have reviewed the documents provided by the Company, including the industry analysis of LED technology conducted by third party industry experts and the information of the Intellectual Properties. According to an article published by China Academic Journal Electronic Publishing House (中國學術期刊電子出版社) (<http://www.cnki.net>), the largest Chinese academic content resources provider in the world, in February 2023, major television producers, such as Samsung, Hisense, Xiaomi, TCL, Sony, Philips, Konka and Skyworth, have developed Mini-LED television and display screen. Comparing with traditional LED, Mini-LED is lighter, less costly and higher energy saving. TFT-LCD television that adopted Mini-LED technology is 60% to 80% of the cost of OLED television but the quality of the display of both products are similar. In order to fulfill the technological requirement of Mini-LED from clients and the trend of the technology development in the industry, the Intellectual Properties will provide key know-how to the Group to produce the encapsulant for encapsulation of Mini-LED to the clients after the Acquisition without spending time for further research and development.

After taking into account (i) developing Intellectual Properties by the Group itself could be costly and time consuming; (ii) the Acquisition could allow the Group to seize the opportunities arising from the expected market growth in the Mini-LED industry immediately; (iii) the valuation of the Acquisition is fair and reasonable; and (iv) the Consideration represented a discount of approximately 4.3% to the Valuation, we consider that the Acquisition is fair and reasonable to the Company and the Shareholders as a whole.

### **5. Financial effect of the Acquisition**

According to the Letter from the Board, no material impact on the earnings of the Group as a result of the completion of the Agreement is expected.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at 31 December 2022, the audited total assets of the Group amounted to approximately HK\$311.7 million. Upon completion of the Acquisition, the Intellectual Properties will be recognised as non-current assets of the Group with book value of approximately HK\$38.0 million (being the Consideration) and the Group will settle the Consideration for the Acquisition by internal resources and bank borrowings. Therefore, it is expected that (i) the total assets will increase by the amount of the difference between the Consideration and the internal resources used for the partial settlement of the Consideration; and (ii) the bank borrowings will increase by the amount of drawdown for the settlement of the remaining Consideration.

### RECOMMENDATION

Having considered the abovementioned principal factors and reasons, in particular, that (i) the principal terms of the Agreement; (ii) the Valuation; and (iii) the reasons for and benefits of the Acquisition, we are of the view that the terms are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**INCUBORPORATE FINANCE LIMITED**  
**Gina Leung**  
*Managing Director*

*Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCUBORPORATE Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.*



**1. FINANCIAL INFORMATION OF THE GROUP**

Details of the financial information of the Group for each of the three years ended 31 December 2020, 2021 and 2022 are disclosed in the following documents which have been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.nichetech.com.hk](http://www.nichetech.com.hk)).

Annual report for the year ended 31 December 2020 (pages 52 to 122):

<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0330/2021033000738.pdf>

Annual report for the year ended 31 December 2021 (pages 68 to 142):

<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0330/2022033000747.pdf>

Annual report for the year ended 31 December 2022 (pages 72 to 148):

<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0330/2023033000865.pdf>

**2. INDEBTEDNESS**

At the close of business on 31 May 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the indebtedness of the Group was as follows:

**Bank borrowings**

As at 31 May 2023, the bank borrowings of the Group was approximately HK\$47,980,000, comprising the followings:

|                                           | <i>HK\$'000</i> |
|-------------------------------------------|-----------------|
| Bank borrowings, unsecured and guaranteed | 25,992          |
| Bank borrowings, secured and unguaranteed | 21,988          |
|                                           | <hr/>           |
|                                           | 47,980          |
|                                           | <hr/> <hr/>     |

The bank borrowings are secured by certain of the Group's bills receivables. Certain bank borrowings are guaranteed by the Company, certain directors and one of the subsidiaries of the Company.

**Lease liabilities**

The Group had lease liabilities of approximately HK\$13,901,000 in respect of leases for certain rental properties, motor vehicles and equipment. As at 31 May 2023, lease liabilities of approximately HK\$2,428,000 were secured by the Company's motor vehicles and personal guarantee by one of the director of the Company.

Save as disclosed herein and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, the Group did not as at 31 May 2023, have any other material debt securities, issued or outstanding, or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits or hire purchase commitments, debentures, mortgages, charges, which are either guaranteed, unguaranteed, secured, or unsecured, or other material contingent liabilities or guarantees outstanding at the close of business.

For the purpose of this indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate exchange rates prevailing as at the close of business on 31 May 2023.

The Directors are not aware of any material adverse changes in the Group's indebtedness position since 31 May 2023.

**3. MATERIAL CHANGE**

The Directors confirmed that there was no material adverse change in the financial or trading position or outlook of the Group since 31 December 2022 (being the date to which the latest audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

**4. WORKING CAPITAL**

The Directors, after due and careful enquiries, are of the opinion that following the Completion, after taking into account the effect of the Acquisition, the financial resources available to the Group, including the presently available banking facilities, the internally generated funds from operations, and cash and bank balances of the Group, the Group has sufficient working capital to satisfy its requirements for at least 12 months from the date of publication of this circular.

**5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

With the relaxation of COVID-19 control measures and economic recovery measures in China and other countries, the global market is expected to recover progressively. However, in view of the after-effects of the pandemic and the complex political issues amongst several countries, the Group expects the global macro-economy to remain volatile. Amid the uncertainties in global economy, the Group remains cautiously optimistic of the industry and the Group's future development.

According to Precedence Research, the growth rate of the global semiconductor material market is expected to reach 6.3% in 2023, and the overall scale will reach a record high of US\$485.8 billion. As a reputable technology-focused manufacturer, the Group is well-equipped with the capabilities of keeping abreast of the latest industry trend through continuous R&D capabilities.

As for the PRC market, the demand of semiconductors is expected to recover gradually, and the market will progressively adapt to the new normal of minimising the relentless impact of pandemic, due to the PRC government encouraging policies to boost economic growth. Therefore, the market's demand for bonding wires and encapsulants is expected to grow in the coming years. The Directors are optimistic about the long-term prospects of the industry and the Group's future development. The Group will launch three series of new products of Die Attach Adhesive, namely Non-conductive Epoxy Based Adhesive, Non-conductive Silicon Based Adhesive and Electrical Conductive Silver Adhesive for LED applications as scheduled, and will extend the product application to cover other semiconductors and the 5G industry after formulary modification to seize opportunities arising from the growing 5G industry. Besides, the Group has developed a new copper alloy bonding wire specially for the Power IC and IGBT products, which has been tried and accredited by top customers in the PRC. One of the top ten PRC Semiconductor Power IC companies has placed orders for heavy copper alloy bonding wire with the Company. The new products are expected to contribute to the Group's revenue in the coming years.

Furthermore, the Mini-LED market in the PRC has been growing rapidly in recent years. More home appliance products equipped with Mini-LED have been launched, including television, gaming monitor, etc. Compared to the traditional LED, Mini-LED is much smaller which allows for more precise control over the backlighting in displays. The Mini-LED improved the contrast and brightness, providing a better image quality. Mini-LED is also more power-efficient than traditional LED, which can lead to longer battery life in portable devices. It is expected Mini-LED will be widely used in the future for the production of domestic electronic application. In view of the continuous growth in the Mini-LED market, the Directors are of the view that the Acquisition would enable the Group to seize the opportunities arising from the expected market growth in the Mini-LED industry and the Group's competitiveness in encapsulant market by enriching its product mix.



Jones Lang LaSalle Corporate Appraisal and Advisory Limited  
7/F One Taikoo Place  
979 King's Road Hong Kong  
Tel +852 2846 5000 Fax +852 2169 6001  
Company Licence No.: C-030171

18 July 2023

The Board of Directors  
**Niche-Tech Semiconductor Materials Limited**  
Unit 208, 2/F., Lakeside 1, Phase Two  
Hong Kong Science Park, Pak Shek Kok  
New Territories, Hong Kong

Dear Sirs,

In accordance with the instructions from Niche-Tech Semiconductor Materials Limited (the “**Company**”, “**Client**” or “**Niche-Tech**”), Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“**JLL**”) has undertaken a valuation exercise which requires us to express an independent opinion of two sets of intellectual properties (please refer to the heading of “**BACKGROUND**” for more details of the intellectual properties) as at 30 April 2023 (the “**Valuation Date**”). The report which follows is dated 18 July 2023 (the “**Report Date**”). This valuation (the “**Valuation**”) is prepared for internal reference by the Company and inclusion in its public disclosure.

Our valuation was carried out 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.”

## **BACKGROUND**

The subjects of this valuation exercise are two intellectual properties held by Niche-Tech Investment Holdings Limited (the “**Vendor**” or “**BVI Holdings**”) as of the Valuation Date. The first subject refers to a complete set of technology for ‘COB high-definition display encapsulation molding’ (“**COB Encapsulant Knowhow**” or “**COB**”). The second subject refers to a complete set of technology for producing ‘FC-BGA low-stress epoxy molding compound’ (“**FC-BGA Encapsulant Knowhow**” or “**FC-BGA**”). These two sets of intelligent properties are collectively referred to as the “**Subjects**” or “**Intellectual Properties**”.

The COB Encapsulant Knowhow, developed by the BVI Holdings, is a new method of manufacturing a liquid encapsulant applied to chip-on-board compression molding encapsulation. It involves the development of instant-curing technology for epoxy resin, which can solidify instantly and has super toughness, high airtightness, and high reliability. It uses the injection molding process instead of the traditional liquid encapsulation material dispensing process; thus, it can solve the problem of traditional liquid glue dispensing being self-leveling. Its features include high toughness, low coefficient of thermal expansion, high reliability and low glass transition temperature. The COB Encapsulant Knowhow is suitable for the small pitch RGB Mini-LED module, enabling the integration of the display module and giving the display screen the characteristics of being ultra-light and thin. The Board considers that the COB Encapsulant Knowhow could utilise instant curing technology for epoxy resin used in the Mini-LED industry.

The FC-BGA Encapsulant Knowhow, also developed by the BVI Holdings, is a new method of manufacturing a semi-solid encapsulant applied to flip-chip ball grid array encapsulation. It is a plastic encapsulation (injection molding) process that extrudes epoxy molding compound into a mold and embeds the semiconductor chip into the epoxy molding compound. It uses the injection molding process instead of the traditional liquid encapsulation material dispensing process; thus, it can solve the problem of traditional liquid glue dispensing being self-leveling. Its features also include low coefficient of thermal expansion, high reliability, and low glass transition temperature. The FC-BGA Encapsulant Knowhow is suitable for the injection molding process used in the encapsulation of Mini-LED modules. The Board believes that the FC-BGA Encapsulant Knowhow could improve the epoxy resin molding material used for encapsulation by changing the types and structures of the resin, accelerators, and polyols and improve the continuity of the molding process.

Mini-LED refers to LED chips that are between 100 to 300 micrometers in size, and with a chip spacing between 0.1 to 1 millimeter. More home appliance products equipped with Mini-LED have been launched, including television, gaming monitor, etc. Compared to the traditional LED, Mini-LED is much smaller allowing more precise control over the backlighting in displays. Mini-LED also improves contrast and brightness, providing a better image quality. Mini-LED is also more power-efficient than traditional LED, which can lead to longer battery life in portable devices.

For COB Encapsulant Knowhow, per the Vendor's board minutes (the "**Board Minutes**"), project reports (the "**Project Reports**") and auditor's reports (the "**Auditor's Reports**"), the project started in January 2007 with a budget of HKD45 million and was completed in December 2015, with a total cost incurred of HKD40 million.

For FC-BGA Encapsulant Knowhow, per the Board Minutes, the Project Reports and the Auditor's Reports, the project started in January 2010 with a budget of HKD14.4 million and was completed in December 2015, with a total cost incurred of HKD14 million.

## SOURCES OF INFORMATION

In conducting our valuation of the Subjects, we have reviewed information including, but not limited to:

- Background of the Subjects;
- Board Minutes and Project Reports in relation to the Subjects of the Vendor;
- Historical financial information of the Subjects, including but not limited to the Auditor's Reports on the Vendor; and
- Other operation and market information in relation to the business of the Subjects.

We have held discussions with management of the Company and the Vendor and conducted market research from public sources to assess the reasonableness and fairness of information provided. We assumed such information to be reliable and legitimate, and we have relied to a considerable extent on the information provided in arriving at our conclusion of value.

**BASIS OF OPINION**

We have conducted our valuation in accordance with International Valuation Standards issued by International Valuation Standards Council (“IVSC”). The valuation procedures employed include a review of legal status and economic condition of the Subjects and an assessment of key assumptions, estimates and representations made by the proprietor or the operator of the Subjects. All matters we consider essential to the proper understanding of the valuation are disclosed in this valuation report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;
- The nature of asset and history of the operation concerned;
- The financial condition of the Subjects;
- Market-driven investment returns for assets engaged in similar lines of business;
- Consideration and analysis on the micro and macro economy affecting the Subjects; and
- Analysis on tactical planning, management standard and synergy of the Subjects.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the valuation of the Subjects.

**VALUATION METHODOLOGY**

In arriving at our assessed value, we have considered three generally accepted approaches, namely market approach, cost approach and income approach.

**Market Approach** considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

*Cost Approach* considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market. Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

*Income Approach* is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long-time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

To select the most appropriate approach, we have considered the purpose of the Valuation and the resulting basis of value as well as the availability and reliability of information provided to us to perform an analysis. We have also considered the relative advantages and disadvantages of each approach to the nature and circumstances of the Subjects. The income approach is inappropriate as this approach requires detailed information and long-term financial projection of the Subjects but such information is not available together with objective supporting documents and information. The market approach is inappropriate as it requires market transactions comparable to the Subjects as an indication of value. However, we have not identified any current market transactions which are comparable to the Subjects.

In the Report, we have adopted the cost approach with consideration of the nature and background of the Subjects. The Company has explained that in the industry in which they operate, i.e. semiconductor packaging, the research and development of any new technology is generally planned at least 3 to 5 years ahead of its potential deployment. The Company has further advised that market demand is an essential factor for the deployment of a new technology. When the development of the Subjects were completed in 2015, the existing products in the market had not yet reached the end of their respective product life cycles, Mini-LED has not started to become popular in the market and not yet reached the mass production stage. It is only until more recent that Mini-LED become more popular in the market, and some of the customers have inquired with the Company about the Mini-LED products especially products related to the Subjects. In spite of the market potential for the Subjects, given the lack of historical operational track record, we considered that the cost approach is the most appropriate in this Valuation.

The replacement cost method under the cost approach was adopted in arriving at the Market Value of the Subjects in this Valuation, by identifying the relevant costs that would be incurred by a typical participant seeking to create or obtain an asset providing similar function and equivalent utility. The replacement cost was estimated based on the historical costs of direct material, manufacturing supplies and direct labor in relation to the development of the Subjects, which were then adjusted with changes in the price level between actual project development period and the Valuation Date.

**MAJOR ASSUMPTIONS**

Assumptions considered to have significant sensitivity effects in this valuation have been evaluated in order to provide a more accurate and reasonable basis for arriving at our assessed value. The following key assumptions in determining the market value of the Subjects have been made:

- The Valuation was primarily based on the relevant information such as the Auditor's Reports, the Board Minutes and the Project Reports for the replacement cost of direct materials and the manufacturing supplies deployed in the development of the Subjects made available to us; we have assumed that the provided information is prepared on a reasonable basis, reflecting aspects of the individual Intellectual Property, including but not limited to, market conditions, economic fundamentals, unit price of direct materials and manufacturing supplies, etc;
- We assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued;
- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Subject;
- We have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;
- We have been provided with copies of the operating licenses and company incorporation documents. We have assumed such information to be reliable and legitimate. We have relied to a considerable extent on such information provided in arriving at our opinion of value;
- We have assumed the accuracy of the financial and operational information such as management accounts, contractual agreements and manufacturing capabilities, provided to us by the Company/Vendor relied to a considerable extent on such information in arriving at our opinion of value; and
- We have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.



**VALUATION USING THE REPLACEMENT COST METHOD**

The market value of the Subjects was estimated based on the historical costs of direct material, manufacturing supplies and direct labor in relation to the development of the Subjects, which were then adjusted with changes in the price level between actual project development period and the Valuation Date.

**Tenure**

The historical tenure used for the development of COB Encapsulant Knowhow and FC-BGA Encapsulant Knowhow was 9 years and 6 years, respectively. As discussed with the Company and Vendor, due to delays caused by obsolescence of results during the historical research and development period, it was determined that the reproduction of COB and FC-BGA would require a period of 6 years and 4 years, respectively.

**Manufacturing Supplies**

The manufacturing supplies primarily comprise of specialized machineries used for conducting experiments and tests in order to develop the desired products.

The expected useful life of the manufacturing supplies is 15 years based on the nature of the machineries. With reference to the historical records on the Auditor's Reports, the Board Minutes and the Project Reports, we have estimated the depreciation charges by straight-line method with referring to the latest quotation as provided by the management of the Client/Vendor as follows:

a) *COB Encapsulant Knowhow*

| Item                                                | Quotation<br>(HKD) | Quantity | Useful Life<br>(year) | Depreciation<br>charges<br>(HKD) |
|-----------------------------------------------------|--------------------|----------|-----------------------|----------------------------------|
| Ion migration insulation testing system             | 10,827,897         | 1        | 15                    | 4,331,159                        |
| C-SAM, C-mode Scanning Acoustic Microscope          | 1,645,129          | 1        | 15                    | 658,051                          |
| SEM, scanning electron microscope                   | 1,338,794          | 1        | 15                    | 535,518                          |
| X-ray detector                                      | 1,287,247          | 1        | 15                    | 514,899                          |
| High and low temperature test chamber               | 964,386            | 1        | 15                    | 385,754                          |
| Rheometer                                           | 884,966            | 1        | 15                    | 353,986                          |
| TMA, thermomechanical analysis <sup>1</sup>         | 782,854            | 1        | 15                    | 208,761                          |
| Temperature and humidity chamber <sup>1</sup>       | 746,741            | 1        | 15                    | 199,131                          |
| DSC, Differential Scanning Calorimetry <sup>1</sup> | 726,126            | 1        | 15                    | 193,634                          |
| Others <sup>1</sup>                                 | 3,499,096          | 20       | 15                    | 1,366,414                        |
|                                                     |                    |          | <b>Total</b>          | <b>8,747,307<sup>2</sup></b>     |

b) *FC-BGA Encapsulant Knowhow*

| Item                                                   | Quotation<br>(HKD) | Quantity | Useful Life<br>(year) | Depreciation<br>charges (HKD) |
|--------------------------------------------------------|--------------------|----------|-----------------------|-------------------------------|
| Thermal shock test machine                             | 1,107,342          | 1        | 15                    | 295,291                       |
| DMA, Dynamic mechanical<br>analysis                    | 1,021,114          | 1        | 15                    | 272,297                       |
| TGA, Thermal Gravimetric<br>Analyzer                   | 794,200            | 1        | 15                    | 211,787                       |
| TMA, thermomechanical<br>analysis <sup>1</sup>         | 782,854            | 1        | 15                    | 104,381                       |
| Temperature and humidity<br>chamber <sup>1</sup>       | 746,741            | 1        | 15                    | 99,565                        |
| DSC, Differential Scanning<br>Calorimetry <sup>1</sup> | 726,126            | 1        | 15                    | 96,817                        |
| GC-MS,<br>Gaschromatography-mass<br>spectrometry       | 623,175            | 1        | 15                    | 166,180                       |
| Others <sup>1</sup>                                    | 1,883,077          | 15       | 15                    | 468,946                       |
|                                                        |                    |          | <b>Total</b>          | <b>1,715,264<sup>2</sup></b>  |

*Note 1.* 7 items of the manufacturing supplies were required for developing both the COB Encapsulant Knowhow and the FC-BGA Encapsulant Knowhow. In this Valuation, the depreciation charges for these items are assumed to be shared between the two intellectual properties.

2. The total may not correspond with the sum of the individual figures due to rounding.

**Direct Labor**

The direct labor is utilized for conducting experiments and analyzing data, with the aim of optimizing product performance or functionality. With reference to the historical records on the Auditor's Reports, the Board Minutes and the Project Reports, we have estimated the direct labor costs by adjusting the salary levels according to various public sources as follows:

*a) COB Encapsulant Knowhow*

| <b>Position</b> | <b>Monthly Cost<br/>(HKD)</b> | <b>Duration<br/>(months)</b> | <b>Quantity</b> | <b>Total Cost<br/>(HKD)</b>   |
|-----------------|-------------------------------|------------------------------|-----------------|-------------------------------|
| Project Manager | 56,781                        | 72                           | 1               | 4,088,198                     |
| R & D Engineer  | 28,096                        | 72                           | 5               | 10,114,635                    |
| Technician      | 21,862                        | 72                           | 3               | 4,722,106                     |
|                 |                               |                              | <b>Total</b>    | <b>18,924,938<sup>1</sup></b> |

*b) FC-BGA Encapsulant Knowhow*

| <b>Position</b> | <b>Monthly Cost<br/>(HKD)</b> | <b>Duration<br/>(months)</b> | <b>Quantity</b> | <b>Total Cost<br/>(HKD)</b>  |
|-----------------|-------------------------------|------------------------------|-----------------|------------------------------|
| Project Manager | 56,781                        | 48                           | 1               | 2,725,465                    |
| R & D Engineer  | 28,096                        | 48                           | 2               | 2,697,236                    |
| Technician      | 21,862                        | 48                           | 2               | 2,098,714                    |
|                 |                               |                              | <b>Total</b>    | <b>7,521,415<sup>1</sup></b> |

*Note 1.* The total may not correspond with the sum of the individual figures due to rounding.

**Direct Materials**

The direct materials consist mainly of the chemical material components to ascertain the ideal formulation for the product. The direct materials cost adopted in the Valuation are based on the actual incurred costs extracted from the Auditor's Reports, the Board Minutes and the Project Reports as follows:

**a) COB Encapsulant Knowhow**

| <b>Item</b>                           | <b>Quantity (kg)</b> | <b>Average Unit Price (HKD/kg)</b> | <b>Total Cost (HKD)</b>      |
|---------------------------------------|----------------------|------------------------------------|------------------------------|
| Alicyclic epoxy resin                 | 2,600                | 131.36                             | 341,540                      |
| Multifunctional alicyclic epoxy resin | 1,170                | 386.50                             | 452,200                      |
| Diffusion powder                      | 5,700                | 152.16                             | 867,300                      |
| Others                                | /                    | /                                  | 198,764                      |
|                                       |                      | <b>Total</b>                       | <b>1,860,000<sup>1</sup></b> |

**b) FC-BGA Encapsulant Knowhow**

| <b>Item</b>                    | <b>Quantity (kg)</b> | <b>Average Unit Price (HKD/kg)</b> | <b>Total Cost (HKD)</b>      |
|--------------------------------|----------------------|------------------------------------|------------------------------|
| TGIC, Triglycidyl isocyanurate | 1,370                | 484.82                             | 664,210                      |
| Mercaptosilane coupling agent  | 60                   | 1,224.42                           | 73,465                       |
| Release agent                  | 80                   | 991.56                             | 79,325                       |
| Others                         | /                    | /                                  | 183,137                      |
|                                |                      | <b>Total</b>                       | <b>1,000,000<sup>1</sup></b> |

*Note 1.* The total may not correspond with the sum of the individual figures due to rounding.

**CALCULATION OF VALUATION RESULT**

The calculation of the market value of the Subjects as at the Valuation Date is as follows:

**COB Encapsulant Knowhow**

| <b>Parameter</b>              | <b>Input (HKD)</b> |
|-------------------------------|--------------------|
| Direct materials              | 1,860,000          |
| Manufacturing supplies        | 8,747,307          |
| Direct labor                  | 18,924,938         |
| <b>Total replacement cost</b> | <b>29,532,245</b>  |

**FC-BGA Encapsulant Knowhow**

| <b>Parameter</b>              | <b>Input (HKD)</b> |
|-------------------------------|--------------------|
| Direct materials              | 1,000,000          |
| Manufacturing supplies        | 1,715,264          |
| Direct labor                  | 7,521,415          |
| <b>Total replacement cost</b> | <b>10,236,678</b>  |

**VALUATION COMMENT**

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Vendor, the Company and JLL.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Subjects over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

This report is issued subject to our Limiting Conditions as attached.

**INDEPENDENCE DECLARATION**

We confirm that to the best of our knowledge and belief, we are independent of the Company and the Vendor, and have not contravened any independence requirements stipulated as per our professional memberships. Our fee is not contingent upon our conclusion of value.

**OPINION OF VALUE**

Based on the results of our investigations and analyses, we are of the opinion that the market value of COB Encapsulant Knowhow as at the Valuation Date is reasonably stated at the amount of **HKD29,532,000** and the market value of FC-BGA Encapsulant Knowhow as at the Valuation Date is reasonably stated at the amount of **HKD10,237,000**.

Yours faithfully,

For and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**

**Simon M.K. Chan**

*Executive Director*

*Note:* Mr. Simon M.K. Chan is a fellow (FCPA) of the Hong Kong Institute of Certified Public Accountants (HKICPA) and CPA Australia. He is also fellow of the Royal Institution of Chartered Surveyors (FRICS). He is an International Certified Valuation Specialist (ICVS) and a Chartered Valuer and Appraiser (Singapore). He oversees the business valuation services of JLL and has over 20 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in the PRC, Hong Kong, Singapore and the United States.

**LIMITING CONDITIONS**

1. In the preparation of this Report, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Client/Vendor and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our Report was used as part of the analysis of the Client/Vendor in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the Subjects rests solely with the Client.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however, we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.
4. The board of directors and the management of Client/Vendor have reviewed this Report and agreed and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.
6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.
7. The use of and/or the validity of the Report is subject to the terms of the Agreement and the full settlement of the fees and all the expenses.
8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the Subject.
9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation Date. We cannot provide assurance on the achievability of the results forecasted by the Client/Vendor because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.



10. This Report has been prepared solely for internal use purpose. The Report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. Even with our prior written consent for such, we are not liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.
11. This Report is confidential to the Client and the calculation of values expressed herein is valid only for the purpose stated in the Agreement as at the Valuation Date. In accordance with our standard practice, we must state that this Report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.
12. Where a distinct and definite representation has been made to us by parties interested in the Subject, we are entitled to rely on that representation without further investigation into the veracity of the representation.
13. The Client/Vendor agrees to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.
14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.
15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Client/Vendor and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

16. This Report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the Report and conclusion of values are not intended by the author, and should not be construed by any reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Client/Vendor and other sources. Actual transactions involving the Subjects might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the knowledge and motivation of the buyers and sellers at that time. The transaction amount does not need to be close to the result as estimated in this report.
  
17. The board of directors, management, staff, and representatives of the Client/Vendor have confirmed to us that they are independent to JLL in this Valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independence in our work, the Client/Vendor and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (A) Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange were as follows:

#### (i) Long position in the Shares

| Name of Director | Nature of interest/<br>holding capacity          | Number of<br>Shares held | Percentage of<br>issued Shares<br>(Note 1) |
|------------------|--------------------------------------------------|--------------------------|--------------------------------------------|
| Dr. Chow         | Interest in a controlled<br>corporation (Note 2) | 357,000,000              | 50.60%                                     |
| Professor Chow   | Interest in a controlled<br>corporation (Note 2) | 357,000,000              | 50.60%                                     |
|                  | Beneficial owner                                 | 510,000                  | 0.07%                                      |
| Mr. Li Chiu Fan  | Beneficial owner                                 | 16,050,000               | 2.27%                                      |

#### Notes:

- As at Latest Practicable Date, the Company's issued share capital was HK\$7,055,000 divided into 705,500,000 Shares.
- BVI Holdings is beneficially owned as to 40% by Dr. Chow and 60% by Professor Chow. By virtue of SFO, Dr. Chow and Professor Chow are deemed to be interested in the 357,000,000 Shares held by BVI Holdings.

*(ii) Interests in shares of the associated corporations of the Company*

| Name of Director | Name of associated corporation | Nature of interest/<br>holding capacity | Number of the<br>shares held/<br>interested in the<br>associated<br>corporations | Percentage of<br>shareholding |
|------------------|--------------------------------|-----------------------------------------|----------------------------------------------------------------------------------|-------------------------------|
| Professor Chow   | BVI Chows (Notes 1 and 2)      | Beneficial owner                        | 6                                                                                | 60.00%                        |
| Dr. Chow         | BVI Chows (Notes 1 and 2)      | Beneficial owner                        | 4                                                                                | 40.00%                        |
| Professor Chow   | BVI Holdings (Notes 1 and 2)   | Interest in a controlled<br>corporation | 10,000,000                                                                       | 100.00%                       |
| Dr. Chow         | BVI Holdings (Notes 1 and 2)   | Interest in a controlled<br>corporation | 10,000,000                                                                       | 100.00%                       |
| Mr. Li Chiu Fan  | BVI Holdings (Note 3)          | Beneficial owner                        | 714,286                                                                          | 7.14%                         |

*Notes:*

1. BVI Chows holds 100% interest in BVI Holdings. BVI Holdings in turn holds 50.60% interest in the Company. Therefore, BVI Chows and BVI Holdings are the associated corporations of the Company for the purpose of the SFO.
2. Dr. Chow and Professor Chow are interested in as to 40% and 60% of the issued share capital of BVI Chows. BVI Chows holds 100% interest in BVI Holdings. Dr. Chow and Professor Chow are therefore deemed to be interested in 100% of BVI Holdings for the purpose of the SFO.
3. BVI Chows issued an exchangeable loan note to Mr. Li Chiu Fan for an amount of HK\$10,000,000 in respect of 714,286 shares in the issued share capital of BVI Holdings. The maturity date of the exchangeable loan note had been extended.

Save as disclosed above, as at Latest Practicable Date, none of the Directors nor chief executives of the Company had or was deemed to have any other interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to the notified to the Company and the Stock Exchange.

**(B) Substantial Shareholders and Other Persons' Interests and Short Positions in the Shares or Underlying Shares**

So far as is known to the Directors, as at Latest Practicable Date, the following persons (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions (directly or indirectly) in the Shares or underlying shares of the Company that would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO for being recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

*Long position in the Shares*

| <b>Name of Shareholder</b>                        | <b>Nature of interest/holding capacity</b>                      | <b>Number of Shares held</b> | <b>Percentage of issued Shares</b><br><i>(Note 1)</i> |
|---------------------------------------------------|-----------------------------------------------------------------|------------------------------|-------------------------------------------------------|
| BVI Holdings                                      | Beneficial Owner <i>(Note 6)</i>                                | 357,000,000                  | 50.60%                                                |
| BVI Chows                                         | Interest in a controlled corporation <i>(Note 2 and Note 6)</i> | 357,000,000                  | 50.60%                                                |
| Mrs. Chow Fung Wai Lan Rita (" <b>Mr. Chow</b> ") | Interest of spouse <i>(Note 3)</i>                              | 357,510,000                  | 50.67%                                                |
| Mrs. Chow Kuo Li Jen                              | Interest of spouse <i>(Note 4)</i>                              | 357,000,000                  | 50.60%                                                |
| Mr. Ma Ah Muk (" <b>Mr. Ma</b> ")                 | Beneficial Owner                                                | 152,490,000                  | 21.61%                                                |
| Ms. Cheng Pak Ching                               | Interest held by spouse <i>(Note 5)</i>                         | 152,490,000                  | 21.61%                                                |

*Notes:*

- As at Latest Practicable Date, the Company's issued share capital was HK\$7,055,000 divided into 705,500,000 Shares.
- BVI Chows holds 100% interest in BVI Holdings and is therefore deemed to be interested in the 357,000,000 Shares held by BVI Holdings for the purpose of the SFO.
- Mrs. Chow is the spouse of Professor Chow. Mrs. Chow is deemed to be interested in all the Shares in which Professor Chow is interested in for the purpose of the SFO.
- Mrs. Chow Kuo Li Jen is the spouse of Dr. Chow. Mrs. Chow Kuo Li Jen is deemed to be interested in all the Shares in which Dr. Chow is interested in for the purpose of the SFO.
- Ms. Cheng Pak Ching is the spouse of Mr. Ma. Ms. Cheng Pak Ching is deemed to be interested in all the Shares in which Mr. Ma is interested in for the purpose of the SFO.
- Dr. Chow, an executive Director, and Professor Chow, an executive Director, are the directors of BVI Chows and BVI Holdings.

Save as disclosed above, as at Latest Practicable Date, the Directors were not aware of any other persons (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interest or short positions in the Shares or underlying shares of the Company would fall to be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO for being recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

### **3. MATERIAL LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

### **4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors entered or proposed to enter into any service contract with any member of the Group which would not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

### **5. MATERIAL CONTRACTS**

There is no material contract (not being contracts entered into in the ordinary course of business of the Group) had been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material.

### **6. INTEREST IN ASSETS OR CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up, been acquired or disposed of by or leased to any member of the Group or which were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement was subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

### **7. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the GEM Listing Rules.

## 8. MISCELLANEOUS

Mr. Tsoi Kin Lung, the company secretary of the Company, is a member of the Hong Kong Institute of Certified Public Accountants.

The registered office of the Company is situated at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal share registrar and transfer agent of the Company is Ocorian Trust (Cayman) Limited, whose address is the address of the registered office of the Company. The Hong Kong share registrar of the Company is Boardroom Share Registrars (HK) Limited, whose address is at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong.

The principal place of business of the Company in Hong Kong is at Unit 208, 2/F., Lakeside 1, Phase Two, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.

This circular is in both English and Chinese. In the event of inconsistency, the English version of this circular shall prevail over the Chinese version.

## 9. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts which have given opinions and recommendations which are included in this circular:

| <b>Name</b>                                                    | <b>Qualifications</b>                                                                                      |
|----------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| Jones Lang LaSalle Corporate<br>Appraisal and Advisory Limited | Independent valuer                                                                                         |
| INCU Corporate Finance Limited                                 | A licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO |

As at the Latest Practicable Date, each of the experts did not have shareholding interest 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.

As at the Latest Practicable Date, each of the experts did not have any direct or indirect interests in any assets which had been, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

Each of the experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report (as the case may be) and references to its name included in this circular in the form and context in which they respectively appear.

**10. DOCUMENT(S) ON DISPLAY**

Electronic copies of the following documents are on display and are published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.nichetech.com.hk](http://www.nichetech.com.hk)) for a period of 14 days from the date of this circular:

- (a) the Agreement;
- (b) the letter from the Independent Financial Advisor;
- (c) the valuation report on the Intellectual Properties
- (d) the written consent of the Independent Valuer and the Independent Financial Advisor referred to in the paragraph headed “Qualification and Consent of Experts” in this Appendix III; and
- (e) this circular.



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## NOTICE OF THE EGM

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### **Niche-Tech Semiconductor Materials Limited**

**駿碼半導體材料有限公司**

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

**(Stock Code: 8490)**

### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of Niche-Tech Semiconductor Materials Limited (the “**Company**”) will be held at 2:30 p.m. on Wednesday, 2 August 2023 at Unit 208, 2/F., Lakeside 1, Phase Two, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong to consider and, if thought fit, pass the following resolution as an ordinary resolution.

#### **ORDINARY RESOLUTION**

**“THAT:**

the agreement dated 14 June 2023 entered into between Niche-Tech (Hong Kong) Limited and Niche-Tech Investment Holdings Limited (the “**Agreement**”) (a copy of the Agreement has been produced at the meeting marked “A” and signed by the chairman of the meeting for identification purpose), the terms and conditions thereof and the acquisition of the intellectual properties of a new know-how of manufacturing a liquid form of encapsulant applied to chip on board compression molding encapsulation and a new know-how of manufacturing of a semi-solid encapsulant applied to flip chip ball grid array encapsulation under the Agreement (the “**Acquisition**”) contemplated thereunder be and are hereby approved, confirmed and ratified; and any one of the directors of the Company (the “**Directors**”) be and is hereby authorised to do all such acts and things and to sign and execute all such other documents or instrument for and on behalf of the Company (including the affixation of the common seal of the Company where required) as he/she may consider necessary, appropriate, expedient or desirable in connection with, or to give effect to, the Agreement and to implement the transaction contemplated thereunder, and to agree to such variations, amendments or waivers of matters relating thereto that are of administrative nature and ancillary to the implementation of the Agreement and/or the transactions contemplated under or incidental to the Agreement.”

By Order of the Board  
**Niche-Tech Semiconductor Materials Limited**  
**Chow Bok Hin Felix**  
*Executive Chairman and Executive Director*

Hong Kong, 18 July 2023

*Registered Office in the Cayman Islands:*  
Windward 3  
Regatta Office Park  
P.O. Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

*Headquarter and principal place of business  
in Hong Kong:*  
Unit 208, 2/F., Lakeside 1, Phase Two  
Hong Kong Science Park, Pak Shek Kok  
New Territories, Hong Kong

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## NOTICE OF THE EGM

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*Notes:*

1. A member entitled to attend and vote at the meeting is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A shareholder of the Company who is the holder of two or more shares of the Company may appoint more than one proxy to represent him and vote on his/her/its behalf at the meeting. A proxy need not be a member of the Company.
2. Whether or not you intend to attend the meeting 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 and voting in person at the meeting or any adjournment thereof and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
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 notarially certified copy thereof must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, not less than 48 hours before the time fixed for holding of the Meeting or any adjournment thereof.
4. In the case of joint holders of shares of the Company, any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the meeting 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.
5. The resolution set out in this notice shall be decided by way of poll.

*As at the date of this notice, the executive Directors are Dr. Chow Bok Hin Felix, Professor Chow Chun Kay Stephen and Mr. Shi Yiwu, the non-executive Director is Mr. Li Chiu Fan, and the independent non-executive Directors are Professor Ng Wang Wai Charles, Mr. Poon Lai Yin Michael and Mr. Tai Chun Kit.*