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NET-A-GO TECHNOLOGY COMPANY LIMITED

網譽科技有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1483)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO
THE ANNUAL REPORT FOR THE YEAR ENDED
31 DECEMBER 2022**

Reference is made to the annual report of Net-A-Go Technology Company Limited (the “**Company**” together with its subsidiaries, the “**Group**”) for the year ended 31 December 2022 (“**FY2022**”) published on 28 April 2023 (the “**2022 Annual Report**”). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the 2022 Annual Report.

In addition to the information provided in the 2022 Annual Report, the Company wishes to provide further information in relation to the impairment of goodwill. This supplemental announcement should be read in conjunction with Note 17 to the consolidated financial statements in the 2022 annual report.

IMPAIRMENT LOSS ON GOODWILL

Property leasing business – New Fortune Group cash generating unit (“CGU”)

The impairment loss on goodwill of New Fortune Group CGU was approximately HK\$18.4 million. The recoverable amount of the New Fortune Group CGU was determined based on fair value less cost of disposal. In assessing the fair value less cost of disposal calculation, references were made to the valuation of the investment properties and the carrying amount of the business unit’s other assets and liabilities which approximated to their fair values. The fair value of the investment properties was valued using direct comparison approach.

In arriving the value of the investment properties, the management, with the assistance of the independent professional valuer, considered that there were sufficient observable comparable sales data for reference as the investment property is in downtown area of Beijing City, and the property market in Beijing City is active. Therefore, direct comparison approach was considered the most appropriate valuation approach to assess the value of the investment properties.

Environmental maintenance business – BYL Group CGU

The impairment loss on goodwill of BYL Group CGU is approximately HK\$91.7 million. The impairment was based on the recoverable amount of the BYL Group CGU which was determined based on value in use (“VIU”). The BYL Group CGU was valued using discounted cash flow (“DCF”) approach as prescribed by HKAS 36 – Impairment of Assets which reflects an estimate of future cashflows and time value of money.

Revenue growth rate adopted in the valuation

As disclosed in Note 17 to the consolidated financial statements on page 170 of the 2022 Annual Report, the revenue growth rates adopted in the 2022 valuation and 2021 valuation are as follows:

	Revenue growth rates applied in DCF model						
	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	Terminal year
2022 valuation	N/A	(43.2%)	(9.4%)	9%	9%	5%	Constant rate at 2%
2021 valuation	(10%)	10%	10%	5%	3%	N/A	Constant rate at 2%

During FY2022, the economic activities in the PRC was hindered by the continuous outbreak of the COVID-19 pandemic. Temporary lockdown measures and anti-pandemic policies were implemented which discouraged business activities and had a negative impact on the operation and development of BYL Group. The revenue of BYL Group amounted to approximately HK\$247.3 million in FY2022, compared to that of approximately HK\$326.0 million in FY2021, representing a decrease of approximately 24.1%. The decrease was greater than the projection of a mild decrease of 10% in the 2021 valuation.

As the management expected a more competitive pricing in the new potential contracts and was less inclined to tender new projects due to the pandemic, no new contracts were secured in FY2022. As such, the revenue growth rates for the first and second year of operation were adjusted downward to -43.2% and -9.4% respectively in the 2022 valuation. In view that the impact of COVID-19 pandemic subsides, it is expected that the environmental maintenance business will gradually recover and begin to record growth starting from FY2025.

Medical devices business – Umitai CGU

The impairment loss on goodwill of Umitai CGU is approximately HK\$19.1 million. The impairment was based on the recoverable amount of the Umitai CGU which was determined based on VIU. The Umitai CGU was valued using DCF approach as prescribed by HKAS 36 – Impairment of Assets which reflects an estimate of future cashflows and time value of money.

Revenue growth rate adopted in the valuation

As disclosed in Note 17 to the consolidated financial statements on page 171 of the 2022 Annual Report, the revenue growth rates adopted in the 2022 valuation and valuation as at 31 May 2022 (the “**Acquisition Valuation**”) are as follows:

	Revenue growth rates applied in DCF model						Terminal year
	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	
2022 valuation	N/A	50%	30%	20%	10%	8%	Constant rate at 3%
Acquisition Valuation	50% (Note 1)	9%	9%	8%	7%	N/A	Constant rate at 3%

Note:

- As the Acquisition Valuation was performed on 31 May 2022, the revenue growth rate of 50% only covers the period from June 2022 to December 2022.

In the second half of 2022, the temporary lock down in several cities, along with the disruptions in the operations of medical institutions and delays in the drug development pipeline, had a significant impact on the sales of Umitai's customers. Consequently, there was a reduction in demand for Umitai's products in FY2022. In addition, the general manager of Umitai resigned with effect from 31 October 2022, due to personal reasons, led to a disruption in the formulation and execution of strategic plans and proposed sales campaign. These circumstances negatively affected the sales and operation of Umitai Group, and resulted in an unfavourable financial performance in FY2022. The revenue of Umitai Group amounted to approximately HK\$8.4 million in FY2022, compared to that of approximately HK\$12.0 million in FY2021, representing a decrease of approximately 30.0%.

The notable difference in the revenue growth rates between valuations is primarily attributable to the varying revenue observed in the respective base years. The Acquisition Valuation adopted a more favourable forecast revenue for FY2022 to extrapolate the forecast for the next four years. As there was a significant reduction in the actual revenue for FY2022, the revenue growth rates applied for the remaining forecast period in the 2022 valuation appear to be higher.

The supplemental information in this announcement does not affect any other information contained in the 2022 Annual Report. Save for the above, all other information in the 2022 Annual Report remains unchanged.

By Order of the Board of
Net-A-Go Technology Company Limited
Sang Kangqiao
Chairman and Executive Director

Hong Kong, 5 June 2023

As at the date of this announcement, the Executive Directors are Mr. Sang Kangqiao, Mr. Xu Wenze and Mr. Cui Peng; and the Independent Non-executive Directors are Mr. Xu Zhihao, Mr. Lam Ka Tak and Mr. Wong Sincere.