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GoFintech Innovation Limited **國富創新有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 290)

Website: <https://290.com.hk>

SUPPLEMENTAL ANNOUNCEMENT TO CONNECTED TRANSACTION – ACQUISITION OF EQUITY INTEREST IN THE TARGET COMPANY

Reference is made to the announcement of GoFintech Innovation Limited (the “**Company**”) dated 12 June 2024 (the “**Announcement**”), in relation to, among other things, the Acquisition and the Equity Transfer Agreement. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Company would like to provide the Shareholders and potential investors of the Company with supplemental information in relation to the Acquisition and the Equity Transfer Agreement.

APPRAISAL OF THE TARGET COMPANY AND THE TARGET EQUITY

As disclosed in the Announcement, the Consideration was determined on arm’s length basis between the Purchaser and the Vendor, and had taken into account, amongst other things, (i) the Company’s internal analysis using comparable companies within the quantum computing industry; and (ii) the latest Valuation conducted by the Target Company for the purpose of providing reference regarding the capital contribution made by other professional investors.

The above internal analysis conducted by the Company aimed to assess the fair value of the equity interest of the Target Company by adopting market approach and compared the Target Company to eight companies listed on the stock exchanges in either the PRC or the United States of America engaging in similarly innovative technologies, taking into account key financial ratios such as Price-to-Sales ratio of those companies being compared, with reference to the financial performance of the Target Company. Accordingly, the estimated value of the entire equity interest of the Target Company is approximately RMB3.461 billion (equivalent to approximately HK\$3.722 billion). The Directors are of the view that the compared companies had been exhaustively included, without any artificial selection on the Company’s part to present a true and fair view on the potential fair value of such companies engaged in innovative technologies similar to that of the Target Company.

The Directors (including the independent non-executive Directors) have also considered the Valuation provided by the Target Company, which was included in an investment report on the Target Company (the “**Investment Report**”) conducted in May 2024. The Investment Report comprised appraisal on the Target Company for the purpose of providing potential investors with detailed information, so as to allow them to assess the Target Company’s businesses, operations and financial prospects and make informed investment decisions accordingly. The Director (including the independent non-executive Directors) considered that it would be more comprehensive and prudent to take note of the assessment of the equity value of the Target Company provided in the Investment Report.

The Valuation conducted in the Investment Report adopted an income approach to determine the value of the business by converting anticipated future income of the business into a present value amount, using discounted cash flow (“**DCF**”) method. The major parameters used in the DCF method include, amongst others, (i) the projected sales revenue of the Target Company for the foreseeable life of its operations; (ii) the estimated operating costs and expenses of the Target Company; (iii) the estimated free cash flow to equity during the projection period; and (iv) the discount rate used to convert future cash flows to their present values, including the determination of the weighted average cost of capital of the Target Company by considering the risk profile of the equity and interest-bearing debt of the Target Company as well as its capital structure.

The Valuation has provided projection of the sales revenue of the Target Company, taking into account of the purchase orders received by the Target Company and those purchase orders anticipated to be made by customers with their intent expressed to make an order to the Target Company up to April 2024 for its major products, which include, amongst others, (i) superconducting quantum computers; (ii) nuclear magnetic quantum computers; and (iii) superconducting quantum chips. Such projection has also been based on the sales of the Target Company’s products with respect to (i) its gross profit in previous years; and (ii) the development potential in the market, assuming, amongst other things, during the forecast period for the eight months from 1 May 2024 up to 31 December 2024 and the subsequent four years ending 31 December 2028 (the “**Forecast Period**”), the respective expenses for sales, management and R&D as a percentage to the total revenue will fall to approximately 4.60%, 10.83% and 48.49% by the end of the Forecast Period.

Throughout the Forecast Period, (i) the growth rate in revenue for the respective years of 2024 (with first four months of 2024 included), 2025, 2026, 2027 and 2028 are approximately 100.74%, 52.63%, 55.67%, 59.13% and 62.99%; and (ii) the discount rate with respect to DCF is approximately 12.20%.

As at the date of this announcement, the Target Company anticipates that by the end of the Forecast Period, a net profit in the amount of approximately RMB38.42 million (representing approximately HK\$41.31 million) will be recorded.

In the Investment Report, the appraised value of the entire equity interest of the Target Company was approximately RMB1.036 billion (equivalent to approximately HK\$1.114 billion), which was adopted by the Board as the major reference to determine the basis of the Consideration. The Board considered the value derived under the Valuation in the Investment Report to be more meaningful than that of the internal analysis of the Company mainly due to (i) the Valuation in the Investment Report represented a lower appreciation rate of approximately 25 times to the net asset value of the Target Company of RMB39.85 million (equivalent to approximately

HK\$42.85 million), as opposed to the valuation derived from the Company's internal analysis, presenting an appreciation rate of approximately 86 times to the net asset value of the Target Company and therefore, the Valuation in the Investment Report is considered to be more prudent and conservative; and (ii) such valuation methodology adopted in the Investment Report has been recognised by other professional investors that already made investments into the Target Company.

Last but not least, in order to assess the viability of the Target Company's businesses, the Company also conducted due diligence upon the Target Company, including having interview with management staff and visiting the production line of superconducting laboratories to understand the products of the Target Company.

TARGET COMPANY & CONSIDERATION

The Target Company is a private limited company incorporated in the PRC in 2018, and to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, (i) the holders of the equity interest in the Target Company comprise a number of investment entities in the form of limited partnership and other professional investors (being either individuals or corporate entities); (ii) the control of the Target Company is maintained jointly by one founding individual and two other investment entities in the form of limited partnership controlled by the founding individual with approximately 53.09% of equity interest held in aggregate; and (iii) save and except for the Vendor, all of the holders of the equity interest in the Target Company are third party(ies) independent of and not connected with the Company and its connected persons of the Company or any of their respective associates (as defined under the Listing Rules) as at the respective dates of the Announcement and this announcement.

Moreover, as disclosed in the Announcement, the Target Company's principally engaged businesses involve R&D, production and sales of quantum computers. Quantum computing differs from modern computing by means of its unique feature on exploiting the quantum phenomena on physical matter demonstrating properties of both particles and waves, and with which, such computers perform calculations much faster than an ordinary computer. With faster calculations, it lays out the foundation to provide more expedient solutions to research, development and a wide range of many other services which requires high-end technological support, including but not limited to drug discovery, education, artificial intelligence and financial technology.

On top of the manufacturing of nuclear magnetic resonance quantum computing, the Target Company also made use of superconducting material to (i) provide for the configuration of superconducting circuit, paving the way of massive quantum computing as the solutions of encryption scheme-breaking and advanced physical simulations; and (ii) manufacture quantum chips, which bear advantages such as long coherence time and high operation speed.

Since its incorporation, the Target Company has made multiple advancements in terms of its innovation. Most notably, it has promoted the development of lighter quantum computers, together with the relevant software and solutions developed, this allows quantum computing to enter into the education industry. The Target Company has also advanced from the processing of superconducting quantum chips to having its chips development and manufacturing centre for such chips' production.

A platform known as Trancxn has further provided an illustration of the Board's rationale behind the Acquisition. Trancxn is known to be a platform combining information of the start-up companies engaging in the latest innovative technologies with market trends, investor activities and business models, so as to help investors make better investment decisions regarding technological start-up companies such as the Target Company. In the category of quantum computing, the Target Company has been ranked eighth out of fifty-nine competitors under the scoring system covering attributes such as funding raised, type of investors, peer recognition, growth and innovation achieved, market potential and quality of execution. For the seven companies with higher ranking, none of them is located in China. This reflects that the Target Company has gained international recognition as a breakthrough company in respect of quantum computing.

With reference to the audited consolidated net asset value of the Target Company disclosed in the Announcement, while the Target Equity (being 4.2726% of the entire equity interest of the Target Company) represented approximately HK\$1.83 million with respect to the net asset value of the Target Company, the Board is of the view that such value at best only served to superficially assess the fair value of the Target Company. To actualise the Target Company's worth, the focus shall be placed onto its enhanced value derived by the R&D pushing forward innovative technology, development and research results, essential for the commercialisation of the Target Company's quantum computing technology and the sales of its relevant products and services. In light of the minimal tangible assets possessed by the Target Company, it would be natural to have a low net asset value, and hence the net asset value would not be fair for the purpose of evaluating the Target Equity.

Furthermore, for companies with a focus on technologies and its research and development such as the Target Company, their business models tends to place substantial expenses into research and development, which will in the long run be positively related to operating income, but during its initial period when research and development took place, such expenses may understandably result in loss in terms of financial position as the results for a company from its investments in research and development are not immediately obvious with projects' potential necessity for some years to be completed and ready for commercialisation.

In this respect, considering that the Company conducted sufficient and appropriate due diligence over the Target Company, together with the fact that the Target Company is commencing to show its maturity in terms of technology after years of its R&D efforts, as demonstrated from its sales and delivery of its first domestically developed superconducting quantum chip to the overseas market in late 2023, it is reasonable to portray an imminent and remarkable growth of the Target Company in terms of its financial performance and operations as such sales and delivery marked a significant step of its quantum computing commercialisation capabilities and its growing influence in the global quantum computing sector.

Last but not least, it has been the Company's investment directions to diversify its portfolio of investment by investing into companies with potential growth and development in view of the technological industries and/or businesses engaged by such companies. The investment made to the Target Company with quantum computing businesses match the aforesaid investment directions.

In light of the above, the Directors (including the independent non-executive Directors) considered it an appropriate timing for a slice of the action at favorable price terms, and accordingly, they are of the view that the terms of the Equity Transfer Agreement (including the Consideration) and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms agreed upon after arm's length negotiations between the parties to the Equity Transfer Agreement and the Acquisition and the entering into of the Equity Transfer Agreement are in the interests of the Company and the Shareholders as a whole.

This announcement is supplemental to and should be read in conjunction with the Announcement. The above supplemental information does not affect other information and content set out in the Announcement. Save as disclosed herein, the content of the Announcement remain unchanged and shall continue to be valid.

By order of the Board
GoFintech Innovation Limited
CHAN Kin Sang
Chairman and Independent Non-executive Director

Hong Kong, 28 June 2024

For the purpose of this announcement, unless the context otherwise requires, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of HK\$1 to RMB0.93. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

As at the date of this announcement, the Board consists of one executive Director, namely Ms. SUN Qing; four non-executive Directors, namely Mr. HAN Hanting, Dr. NIE Riming, Mr. LI Chunguang and Mr. HUA Yang; and four independent non-executive Directors, namely Mr. CHAN Kin Sang (Chairman), Mr. CHIU Kung Chik, Mr. LI Gaofeng and Ms. LUI Mei Ka.