C-LINK SQUARED LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1463)

SUPPLEMENTAL ANNOUNCEMENT DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF SUN JOIN INVESTMENT LIMITED INVOLVING THE ISSUE OF SHARES UNDER GENERAL MANDATE, AND THE CONTRACTUAL ARRANGEMENTS

Reference is made to the announcement of C-Link Squared Limited (the "**Company**") dated 28 December 2023 in relation to the acquisition of the Target Company involving the issue of the Consideration Shares under General Mandate and the Contractual Arrangement (the "**Announcement**"). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

BASIS OF CONSIDERATION

Further to the disclosure made in the Announcement regarding the basis for determining the Consideration for the acquisition of the Target Company (which amounted to HK$474,251,497), the Board would like to supplement the following information as to the basis for determining such Consideration.

Despite the Consolidated Affiliated Entities being loss making for the years ended 31 December 2021 and 2022, the Board considered that incurring losses is not uncommon in the early stages of internet hospitals as with other comparable companies in the industry, due to the allocation of funds for building up user base and investing in hardware and drugs to establish a solid foundation for the business. The Board considered that the Consolidated Affiliated Entities have been generating profit since 2023 as disclosed in the Announcement and are expected to continue to be profitable, in particular as the Consolidated Affiliated Entities have entered into five additional framework agreements with certain insurance institutions in relation to the development of commercialised health management services for the current financial year.

Furthermore, the Board is of the view that the demand for online medical and healthcare services provided by internet hospitals are rising post-pandemic, and the competitiveness of the Group's outsourced insurance business would increase if it were to include such capability in the Group's offerings. After evaluating potential targets, the Board has noted the competitive advantages of the Consolidated Affiliated Entities, including among others, (i) the experience and research capabilities of their medical practitioners and experts, (ii) their signature health products, (iii) the variety of medical and healthcare products spanning medicine, supplements, medical equipment and pet health, (iv) the integration of offline and online medical services and retail channels, and (v) the digital and intelligent solutions provided to government and hospitals regarding public health and medical insurance, which the Board believes have growth potentials and can create synergies with the Group's existing outsourced insurance business as well as distribution and sales of medical equipment business. The Board also considered that the two additional framework agreements entered into with medical technology companies in relation to the supply of medical equipment by the Consolidated Affiliated Entities for the current financial year are beneficial to the Group's existing medical equipment distribution business.

In addition, in relation to the determination of the Consideration, an independent valuer (the "**Independent Valuer**") was engaged to conduct a valuation of 100% equity interest in the Operating Entity (and including the Medical Institutions). The Independent Valuer adopted the discounted cash flow method under the income-based valuation method, which is based on a simple reversal calculation to restate all future cash flows in present terms. According to the valuation report (the "**Valuation Report**"), the appraised value of 100% equity interest in the Operating Entity (and including the Medical Institutions) was HK$520 million as at 30 November 2023.

Based on the reasons set out above, the Board is of the view that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

PROFIT FORECAST REQUIREMENTS UNDER THE LISTING RULES

Since the discounted cash flow method under the income approach was adopted by the Independent Valuer in the preparation of the Valuation Report, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. This announcement is made in compliance with Rule 14.60A of the Listing Rules.

For the purpose of complying with Rule 14.60A of the Listing Rules, the details of the principal assumptions, including commercial assumptions, upon which the Valuation were based are as follows:

General Assumptions

(i) Transaction Assumption

The transaction assumption assumes that all the assets to be valued are in the course of transaction and the valuation assessed by the Independent Valuer is based on a simulated market which involves the transaction conditions of the assets to be valued. The transaction assumption is one of the most fundamental assumptions for the performance of asset valuation.

(ii) Open Market Assumption

The open market assumption assumes that the parties to the asset transaction or the proposed asset transaction in the market have equal bargaining power and have the opportunities and time to obtain sufficient market information in order to make a rational and informed judgment on the assets, including their functions, uses and transaction prices. The basis of open market assumption is that the assets can be traded openly in the market.

(iii) Asset Going-concern Assumption

The asset going-concern assumption means that the valuation method, parameters and basis shall be determined on the premise that the valued assets will be continuously used in consistence with their current functions and methods, scale, frequency and environment of application, or used on the basis of certain changes thereof.

(iv) Corporate Going-concern Assumption

The corporate going-concern assumption assumes that businesses of the valued entities can be continuously operated under its current condition, and its operating condition will not have material changes in the foreseeable future.

Specific Assumptions

(i) The unaudited consolidated management accounts of the Consolidated Affiliated Entities as at 30 November 2023 can reasonably represent the financial position of the Consolidated Affiliated Entities as of the date of Valuation since audited financial accounts as of the date of Valuation were not available. The Valuer is not obligated to verify the authenticity of the management accounts provided by the management of the Operating Entity.

(ii) All relevant legal approvals and business certificates or licences to operate the business in the localities in which the Consolidated Affiliated Entities operate or intend to operate have or would be officially obtained and renewable upon expiry.

(iii) The forecast provided by the management of the Operating Entity will reasonably reflect the future projection on the income-generating capacity of the Consolidated Affiliated Entities.

(iv) There will be sufficient supply of technical staff in the industry in which the Consolidated Affiliated Entities operate, and the Consolidated Affiliated Entities will retain competent management, key personnel and technical staff to support its ongoing operations and developments.

(v) There will be no major change in the current taxation laws in the localities in which the Consolidated Affiliated Entities operate or intend to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with.

(vi) There will be no major change in the political, legal, economic or financial conditions in the localities in which the Consolidated Affiliated Entities operate or intend to operate, which would adversely affect the revenues attributable to and profitability of the Consolidated Affiliated Entities.

(vii) According to the profit forecast provided by the management of the Operating Entity, the Valuer has adopted the following quantitative assumptions regarding the future financial performance of the Consolidated Affiliated Entities:

Compound annual revenue growth rate (financial years ending 31 December 2024 to 2028)	13.9%
Gross profit margin (financial years ending 31 December 2024 to 2028)	14.7%-16.0%
EBITDA margin (financial years ending 31 December 2024 to 2028)	9.4%-11.7%
Capital expenditure in HKD ’000 (financial years ending 31 December 2024 to 2028)	7,325-19,904
Terminal growth rate	2.0%
Discount rate	16.0%
Marketability discount	15.7%

The abovementioned key quantitative inputs were applied to the financial projections by discounting the expected free cashflow using the aforementioned discount rate and then adding the terminal value. Terminal value is calculated by using the formula: Terminal year cashflow/(discount rate – long term growth rate). Lastly, and the market value is calculated by using the formula: base value*(1 - marketability discount).

The assumption on the revenue growth rate was determined after considering the following:

(a) The Consolidated Affiliated Entities’ revenue is mainly generated from providing value-added services to life insurance insured clients, and as such, the growth rate of the Consolidated Affiliated Entities business is directly dependent on the growth rate of the life insurance market. The life insurance market in the PRC is expected to grow continuously in the next few years as stated in Swiss Re’s latest World Insurance Sigma report.

(b) The number of patients served by the Consolidated Affiliated Entities' online and offline medical institutions has steadily increased.

(c) As disclosed in this announcement, additional framework agreements have been entered into by the Consolidated Affiliated Entities in both the healthcare management and sale of medical equipment segments and are expected to be renewed annually. Further negotiations are underway and the management expects that the business coverage of the Consolidated Affiliated Entities will continue to expand.

In preparing the assumption on the gross profit margin, the management of the Operating Entity has conducted a comprehensive assessment on the Consolidated Affiliated Entities' gross profit based on the characteristics of the industry in terms of market competition, enterprise marketing, technology costs and service costs. The primary business segment of the Consolidated Affiliated Entities is providing healthcare consulting services for life insurance clients of their partnered insurance institutions, and the second largest business segment is the sale of medical equipment. The gross profit margin of such businesses in their respective markets are generally around 8.5% and 20%, respectively. The overall gross profit margin of the Consolidated Affiliated Entities was then estimated based on the revenue contribution from the two aforementioned business segments.

The capital expenditure on the assets of the Consolidated Affiliated Entities was also considered in the forecast, and the plans for capital expenditure mainly include increased sourcing of medical equipment and investments in software, systems and technologies to support the development and expansion of the Consolidated Affiliated Entities' medical healthcare business.

The terminal growth rate of 2.0% used was with reference to the PRC's long-term inflation as at the date of Valuation extracted from the Bloomberg Database.

For the discount rate, the Valuer has obtained the weighted average cost of capital ("**WACC**") of the Operating Entity as a basic discount rate. The key parameters of the WACC adopted are as follows:

(a)	Risk-free rate	2.68%
(b)	Market risk premium	6.07%
(c)	Relevered beta coefficient	1.203
(d)	Size premium and company specific risk premium	7.05%
(e)	Cost of equity	17.03%
(f)	Cost of debt	3.15%
(g)	Weight of equity value to enterprise value	5.00%
(h)	Weight of debt value to enterprise value	95.00%
(i)	Corporate tax rate	25.00%
	Discount rate (rounded)	**16.00%**

Notes:

(a) The risk-free rate adopted was the 10-year yield rate of the China Sovereign curve as at the date of Valuation as extracted from Bloomberg.

(b) The market risk premium adopted was with reference to "2023 Country Default Spreads and Risk Premiums" published by Aswath Damodaran.

(c) The relevered beta coefficient adopted was the average of adjusted beta of the comparable companies as extracted from Bloomberg.

(d) The size premium adopted was with reference to the 2022 CRSP Deciles Size Study by Duff & Phelps, LLC.

(e) The cost of equity adopted was determined based on the capital asset pricing model. It is calculated with the following formula: risk-free rate + beta coefficient x market risk premium + size premium and company specific risk premium.

(f) The cost of debt adopted was the PRC's long-term borrowing rate as at the date of Valuation as extracted from Bloomberg.

(g) The weight of equity value to enterprise value adopted was derived from the average debt-to-equity ratio of the comparable companies as at the date of Valuation as extracted from Bloomberg.

(h) The weight of debt value to enterprise value adopted was derived from the average debt-to-equity ratio of the comparable companies as at the date of Valuation as extracted from Bloomberg.

(i) The corporate tax rate adopted was the corporate tax rate in the PRC.

The Consolidated Affiliated Entities' expenses during the forecast period mainly consist of the following:

(a) Costs of goods sold mainly include procurement costs of medicines and medical devices, and transportation costs. The cost of goods sold is expected to increase by approximately 0.9% during the forecast period due to price increase in raw materials for medicines, especially Chinese herbal medicines, leading to an increase in the procurement costs of certain medicines.

(b) Sales and management expenses mainly include employee compensation, training costs, costs on information technology system construction and compliance audits. The sales and management expenses are expected to increase by approximately 1.6% during the forecast period due to the increment in employee compensation and the increase in information technology system construction costs for Shengji Clinic in relation to the introduction of the Tianjin social security system.

(c) Research and development expenses mainly include research and development personnel compensation, cost for sourcing materials, depreciation of equipment and patent-related fees. The research and development expenses are expected to increase by approximately 0.6% during the forecast period due to the expected salary increment of research and development personnel.

The Board has reviewed the key assumptions upon which the profit forecast was based and is of the view that the profit forecast was made after due and careful enquiry.

CCTH CPA Limited (the "**Reporting Accountants**") has been engaged by the Company to review the arithmetical calculation and compilation of the discounted future estimated cash flows upon which the Valuation Report prepared by the Independent Valuer was based, and is of the opinion that, so far as the calculations are concerned, the discounted future estimated cash flows have been properly compiled in all material respects in accordance with the bases and assumptions as set out in the Valuation Report.

A report from the Reporting Accountants and a letter from the Board are included in the appendices to this announcement for the purposes of Rule 14.60A of the Listing Rules.

EXPERTS AND CONSENTS

The qualifications of the experts who have given their opinion and advice in this announcement are as follows:

Name	Qualification
CCTH CPA Limited	Certified Public Accountants
B.I. Appraisals Limited (保柏國際評估有限公司)	Independent valuer

Each of the Reporting Accountants and the Independent Valuer has given and has not withdrawn its respective written consent to the publication of this announcement with inclusion of its opinion and advice in its report/letter and all references to its name (including its qualifications) in the form and context in which they are included.

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, each of the Reporting Accountants and the Independent Valuer is a third party independent of the Group and is not a connected person of the Group.

As at the date of this announcement, neither the Reporting Accountants nor the Independent Valuer has:

(i) any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group; or

(ii) any direct or indirect interest in any assets which have been since 31 December 2022 (the date to which the latest published annual results of the Group were made up) acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out, for the purpose of illustration only, the shareholding structure of the Company (i) immediately prior to the Completion; and (ii) immediately after the Completion:

	Immediately prior to the Completion		**Immediately after the Completion and upon the allotment and issue of the Consideration Shares**	
	Number of Shares	*Approximate shareholding percentage*	*Number of Shares*	*Approximate shareholding percentage*
Shareholders				
Mr. Wang Yaxian 王亞顯先生	522,000,000	21.75%	522,000,000	18.16%
Mr. Wu Xianlong* 吳賢龍先生	360,000,000	15.00%	360,000,000	12.52%
Mr. Wan Shifang 萬世方先生	162,000,000	6.75%	162,000,000	5.64%
Mr. Liao Hui* 廖輝先生	153,468,000	6.39%	153,468,000	5.34%
SJ Capital Investment *(Note 1)*	–	–	284,550,898	9.90%
SJ Venture Management *(Note 2)*	–	–	189,700,599	6.60%
Other public Shareholders	1,202,532,000	50.11%	1,202,532,000	41.84%
Total	2,400,000,000	100.00%	2,874,251,497	100.00%

* *For identification purpose only*

Notes:

1. As at the date of this announcement, SJ Capital Investment is wholly owned by Ms. Zou.

2. As at the date of this announcement, SJ Venture Management is wholly owned by Ms. Le.

By order of the Board
C-Link Squared Limited
Ma Shengcong
Chairman of the Board, chief executive officer and executive Director

Hong Kong, 19 January 2024

As at the date of this announcement, the executive Directors are Mr. Ma Shengcong and Ms. Zhang Ying, the non-executive Directors are Mr. Ling Sheng Shyan and Dr. Wu Xianyi, and the independent non-executive Directors are Dr. Zeng Jianhua, Mr. Yang Junhui and Mr. Qian Jianguang.

APPENDIX I – REPORT FROM CCTH CPA LIMITED

The following is the text of a report dated 19 January 2024 received from the Reporting Accountants, CCTH CPA Limited, Certified Public Accountants, Hong Kong, for inclusion in this announcement.

19 January 2024

The Board of Directors,

C-Link Squared Limited
Room 1901, 19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

INDEPENDENT ACCOUNTANT'S REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF MARKET VALUE OF 100% EQUITY INTEREST IN TIAN JIN RUIJINBAO INTERNET TECHNOLOGY CO., LTD.* (天津瑞津保網絡科技有限公司)(AND INCLUDING SHENGJI (TIAN JIN) POLYCLINIC CO., LTD.* (盛濟(天津)綜合門診部有限公司)AND TIAN JIN SHENGJI ONLINE HOSPITAL CO., LTD.* (天津盛濟互聯網醫院有限公司))

TO THE BOARD OF DIRECTORS OF C-LINK SQUARED LIMITED

We have completed our assurance engagement to report on the calculations of discounted future estimated cash flows on which the valuation (the "**Valuation**") dated 19 January 2024 prepared by B.I. Appraisals Limited in respect of the valuation on Tian Jin Ruijinbao Internet Technology Co., Ltd.* (天津瑞津保網絡科技有限公司) (the "**Operating Entity**") (and including Shengji (Tian Jin) Polyclinic Co., Ltd.* (盛濟(天津)綜合門診部有限公司)and Tian Jin Shengji Online Hospital Co., Ltd.* (天津盛濟互聯網醫院有限公司)) (together with the Operating Entity, the "**Consolidated Affiliated Entities**") as at 30 November 2023 is based. The Valuation is set out in the supplemental announcement of C-Link Squared Limited (the "**Company**") dated 19 January 2024 (the "**Announcement**") in connection with the acquisition of Sun Join Investment Limited. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

* *English translations are for identification purpose only*

Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set on pages 3 to 6 of the Announcement. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibilities

It is our responsibility to report, as required by paragraph 14.60A(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Consolidated Affiliated Entities.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions as set out on pages 3 to 6 of the Announcement. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.60A(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows, has been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company as set out on pages 3 to 6 of the Announcement.

CCTH CPA Limited
Certified Public Accountants
Hong Kong

APPENDIX II – LETTER FROM THE BOARD

The following is the text of a letter dated 19 January 2024 from the Board to The Stock Exchange of Hong Kong Limited for inclusion in this announcement.

19 January 2024

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

Dear Sirs,

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF SUN JOIN INVESTMENT LIMITED INVOLVING THE ISSUE OF SHARES UNDER GENERAL MANDATE, AND THE CONTRACTUAL ARRANGEMENTS

We refer to the announcements of C-Link Squared Limited (the "**Company**") dated 28 December 2023 and 19 January 2024 (the "**Announcements**") in relation to the captioned transaction. Unless the context otherwise requires, terms defined in the Announcements shall have the same meanings in this letter when used herein.

We refer to the valuation report dated 19 January 2024 issued by B.I. Appraisals Limited（保柏國際評估有限公司）(the "**Independent Valuer**") regarding the appraisal of the value of 100% equity interest in the Operating Entity (and including the Medical Institutions) as at 30 November 2023 based on the discounted cash flow method (the "**Valuation Report**"), which constitutes a profit forecast under Rule 14.61 of the Listing Rules.

We have discussed with the Independent Valuer about different aspects including the bases and assumptions based upon which the Valuation Report has been prepared, and reviewed the Valuation Report for which the Independent Valuer is responsible for. We have also considered the report from CCTH CPA Limited, the Company's reporting accountants, regarding whether the Valuation, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions as set out in the Valuation Report. We have noted that the Valuation and the profit forecast in the Valuation Report are mathematically accurate and are presented on a basis consistent in all material respects with the accounting policies currently adopted by the Company.

Pursuant to the requirements of Rule 14.60A(3) of the Listing Rules, the Board is of the opinion that the Valuation Report prepared by the Independent Valuer has been made after due and careful enquiry.

By order of the Board
C-Link Squared Limited
Ma Shengcong
Chairman of the Board, chief executive officer
and executive Director