



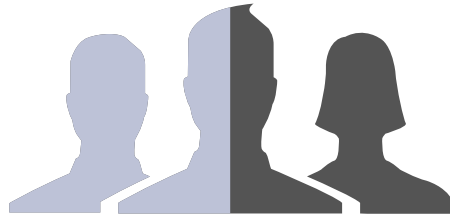
ASSET VALUATION BULLETIN

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A photograph of the Hong Kong skyline, featuring numerous skyscrapers and a traditional Chinese junk boat with red sails on the water in the foreground. The sky is blue with white clouds. The image is partially overlaid with a teal gradient on the right side.

2020

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Group Introduction

RHL International is one of the pioneering professional valuation and real estate consultants in Asia. Established since 1972, our group offers high quality professional services on Corporate Valuation & Advisory and Real Estate Solution & Surveying Practice. As an active participant in exchanging ideas and experience with regulators, government institutions and corporations, our group maintains vigilant to the dynamic changes in the market. Leveraging our extensive track record, technical resources and market intelligence, we are dedicated to provide tailored services to meet with the unique needs of our clients.

EDITOR'S MESSAGE

Welcome to the Asset Valuation Bulletin issued by RHL Appraisal Limited. In this knowledge-based economy, a successful corporate management and investor need to be versatile to capture business opportunities, whilst understanding in accounting and finance is imperative to deal with the dynamic market. In response we launch this bulletin with the aim to share with you a wide range of useful knowledge and information, including but not limited to insight on current rules, and regulations, technical knowledge, market news and practical experience relating to asset valuation. We hope this bulletin could become one of your preferred knowledge update platforms.

PART 5 SIMILAR DERIVATIVE TO CBBC

CBBC is an extension of ordinary option. There are also exotic options similar to the CBBC. CBBC is a barrier option with knock-out feature. Of course there are barrier options with knock-in feature. CBBC is redeemed when the underlying asset price touches the redemption price. Conversely, Barrier option with knock-in feature becomes effective when the underlying asset price touches the barrier price.

Similar to CBBC, barrier option with knock-in feature can be valued by Monte Carlo Simulation in a similar manner. Let us review the previous example, this time we will value a down-and-in call option.

Stock Price	Starting Time	After 2 Months	After 4 Months	After 6 Months	After 8 Months	After 10 Months
path 1	\$100	\$57	\$23	\$78	\$69	\$95
path 2	\$100	\$123	\$156	\$92	\$86	\$132
path 3	\$100	\$180	\$164	\$206	\$231	\$199
path 4	\$100	\$90	\$70	\$126	\$176	\$31
path 5	\$100	\$81	\$63	\$15	\$42	\$75

Barrier Price = \$70

Time to maturity = 10 months

Risk-free rate = 3% / 10 months

Barrier option with knock-in feature becomes effective in path 1, 4 and 5.

Value of barrier option with knock-in feature

= (Sum of value of Barrier Option in each path / no. of paths / discount factor)

= $(\$25 + \$0 + \$5) / 5 / (1 + 3\%) = \5.83

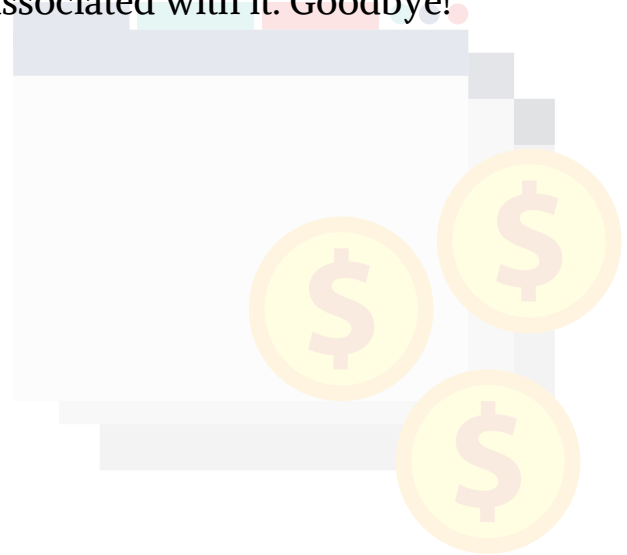
Scope of Business :

Business and Intellectual properties Valuation

“What is the value of a business?” Whether you are an executive, an investor or a stakeholder of a corporation, knowing the value of a business and its assets is critical in formulating sound and reasonable business decisions. In these situations, it is vital that you engage an expert you can trust to provide an accurate and independent opinion on the assets' value.

Moreover, different features and terms can be added to CBBC to create new financial instruments. For example, the strike price can vary over the option life or the option would be redeemed if the underlying asset volume is above or lower than a particular amount. Monte Carlo Simulation can easily take care of these features and computes the value of these instruments.

After a series of discussion, I believe all of you have understanding how CBBC works and the returns and risks associated with it. Goodbye!



Scope of Business:

Financial Instrument Valuation & Sensitivity Analysis

Due to the increasing role of financial instruments and their significant impact on the value of a corporation, mark-to-market valuation of complex financial instruments is required to match current accounting standards.

Leveraging a team of experts adept at applying sophisticated financial models, our group provides solutions for equity or debt-related instruments and derivatives.

COVID-19 IMPACT ON BUSINESS VALUATION

The outbreak of COVID-19 pandemic has adversely affected the global economy this year. Trade and economic activities has halted from local to international scale. This leads to great uncertainties on the prospect of numerous businesses worldwide. In valuation perspective, this essentially means that both the management of a business and professional parties shall require more time and effort to come up with a financial forecast which reflects the short-term fluctuation and the long-term development of the business.

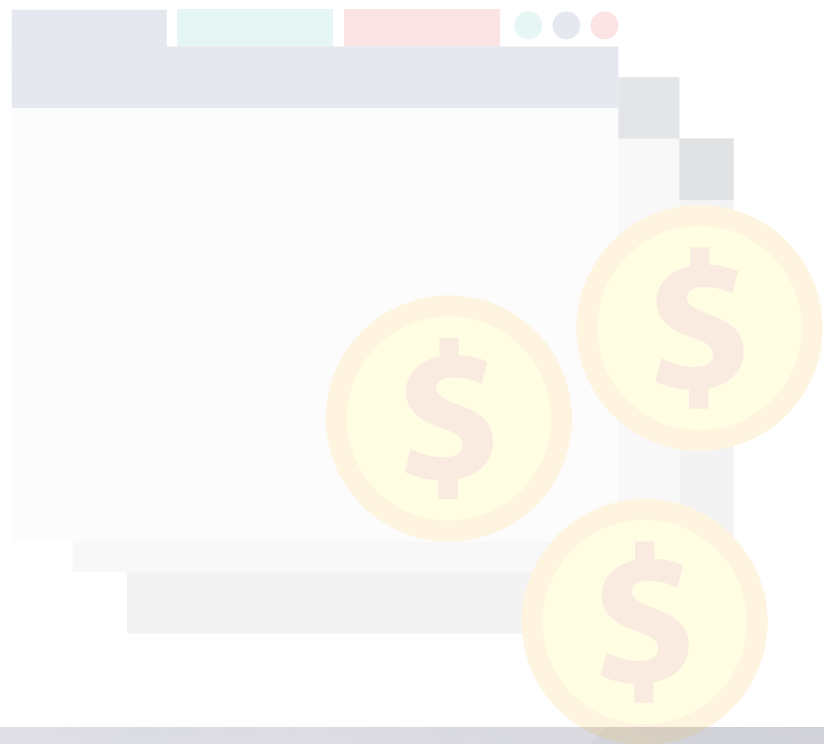
The first and important point that they have to look at during the preparation of the forecast is whether the business will have any fundamental change after the outbreak of the disease. The pandemic may lead to structural changes in the industry. Supply chain may be changed or diversified, as the management may want to have more secure supply to avoid any concentration risk from the reliance of unique supply source. Customer behaviour may also be changed, e.g. the significant growth in online purchase, as people are not willing to go out. These may lead to permanent changes in the business model, and thus affecting the financial forecast, for example, the working capital level will be needed to adjust to reflect the new business cycle.

To cope with the adverse effect from the pandemic, various financial relief measures and economic stimulus policy had been implemented in a short time. These result in fluctuation in the capital market. Market interest rate level dropped a lot with the liquidity injection from the government.

Scope of Business: Scenario Analysis & Calculation of Value

We can help executives better understand any future financial impact while also enabling them to fulfill risk management disclosures in compliance with accounting standards or acquisition negotiations. We provide scenario analysis services that calculate the value of financial instruments or the business to be invested. Our professional analysis can give you the insight you need to determine the terms of financial instruments with counter parties or terms of negotiation for a business.

The changes have also resulted in large fluctuation in the financial markets. Various parameters such as stock market index, P/E ratio, interest rate level, credit spread, market risk premium, etc. experienced violent and irrational shifts, which gives big challenges to the management of companies and valuation professionals to determine an appropriate discount rate, and earnings multiple to value the business. They would need to consider appropriate adjustments to the parameters to obtain a more reasonable and reliable basis for valuing of the business in long run.



Scope of Business: Property, Plant & Machinery Valuation

Our valuation specialists are experienced in asset valuations for a multitude of industries to serve your every business decision or compliance requirement. We serve clients who operate in all kinds of business. And for industrial sector, we have worked for various types of industrial including electronics and electrical production, metal processing, power generation, natural resources, the environmental and recycling industry, and many more.



About Us

Corporate & Valuation Advisory

Our experience in operating businesses in the mainland China and cooperating with overseas parties has become our competitive advantage in offering comprehensive client solution to overseas as well as mainland clients.

- Valuation (including Real Estate, Business Valuation, Plant & Machinery)
- Real Estate Solutions and Surveying Practice
- Industry Market Research & Analysis
- Project Feasibility Study and Advisory
- Financial Analysis
- Investment Advisory
- Due Diligence
- Portfolio, Asset and Facilities Management



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