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Amuse Group Holding Limited

佰悅集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8545)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE INTERESTS IN A PROPERTY HOLDING COMPANY

THE DISPOSAL

The Board is pleased to announce that on 8 November 2021 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company) and Mr. Li (the chairman, the executive Director and the substantial Shareholder of the Company) entered into the S&P Agreement, pursuant to which the Vendor conditionally agreed to sell and Mr. Li conditionally agreed to purchase the Sale Shares at a consideration of HK\$34.0 million which shall be payable by Mr. Li to the Vendor.

GEM LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Disposal is more than 25% but is less than 75%, the Disposal constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, Mr. Li, being the Purchaser in respect of the Disposal, is the chairman, the executive Director and the substantial Shareholder of the Company. Therefore, Mr. Li is a connected person of the Company pursuant to Chapter 20 of the GEM Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

GENERAL

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve, among others, the S&P Agreement and the Disposal. Mr. Li and his associates will abstain from voting at the EGM on the relevant resolutions to approve the S&P Agreement and the Disposal.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to, among other things, the S&P Agreement and the Disposal and on how to vote. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing, among other things, (i) details of the S&P Agreement and the Disposal; (ii) other information as required to be disclosed under the GEM Listing Rules; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (v) a property valuation report; and (vi) the notice of the EGM, is expected to be despatched to the Shareholders on or before 29 November 2021.

As Completion is subject to and conditional upon fulfilment or waiver (as the case maybe) of the conditions precedent set out in the S&P Agreement and the Disposal may or may not materialise, Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company.

THE DISPOSAL

The Board is pleased to announce that on 8 November 2021 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company) and Mr. Li (the chairman, the executive Director and the substantial Shareholder of the Company) entered into the S&P Agreement, pursuant to which the Vendor conditionally agreed to sell and Mr. Li conditionally agreed to purchase the Sale Shares at a consideration of HK\$34.0 million which shall be payable by Mr. Li to the Vendor.

THE S&P AGREEMENT

The major terms of the S&P Agreement are as follows:

Date:	8 November 2021 (after trading hours)
Vendor:	Amuse International Investment Limited, a wholly-owned subsidiary of the Company
Purchaser:	Mr. Li (the chairman, the executive Director and the substantial Shareholder of the Company)

The Vendor is a direct wholly-owned subsidiary of the Company and is principally engaged in investment holding. Mr. Li being the chairman, the executive Director and substantial Shareholder of the Company, is a connected person of the Company. The Disposal Company is a company incorporated in the British Virgin Islands, and is principally engaged in investment holding and the principal asset of Disposal Company would be the Properties. The Disposal Company is directly owned as to 100% by the Vendor. The Disposal Company beneficially holds and owns the entire issued shares of Sentinel Int'l (US) Company Ltd and Kai Investment Co., Limited.

Asset to be disposed

Pursuant to the S&P Agreement, the Vendor conditionally agreed to sell and Mr. Li conditionally agreed to purchase the Sale Shares, representing 100% of the entire issued share capital of the Disposal Company as at the date of this announcement, free from all Encumbrances.

Pursuant to paragraphs 5 and 6 of Schedule 4 (The Vendor's Warranties) of the S&P Agreement, (i) there will be no other outstanding indebtedness or other liability (actual or contingent) owing by the Disposal Company to the Vendor or any third parties upon Completion; and (ii) save as the Properties, the Disposal Company shall on Completion have no other substantial assets and/or properties, respectively.

Consideration

The Consideration of HK\$34.0 million was determined after arm's length negotiation between the Vendor and the Purchaser on normal commercial terms with reference to the valuation of the Properties of HK\$32.0 million as assessed on 31 October 2021 by an independent valuer appointed by the Company. The Consideration is/shall be payable by the Purchaser to the Vendor in the following manner:

- (i) an initial deposit of HK\$1,800,000 has been paid by the Purchaser to the Vendor upon signing of the S&P Agreement;

- (ii) a further deposit of HK\$2,000,000 shall be paid by the Purchaser to the Vendor on or before 30 November 2021; and
- (iii) the balance of HK\$30,200,000 shall be paid by the Purchaser to the Vendor upon the Completion Date.

Conditions precedent

Completion is conditional upon the following conditions (the “**Conditions**”) being fulfilled and remained fulfilled (or waived by the Purchaser):–

- (a) the Vendor, shall procure the Disposal Company to prove and give a good title to the Properties in accordance with Sections 13 and 13A of the CPO;
- (b) the Reorganization has been duly completed and both of Sentinel Int’l (US) Company Ltd. and Kai Investment Co., Limited cease to be the subsidiary of the Disposal Company;
- (c) the S&P Agreement and the transactions contemplated thereunder having been approved by the Independent Shareholders at the EGM;
- (d) the obtaining of all consents, approvals, clearances and authorisations of relevant government authorities (including the Stock Exchange) necessary for the implementation of the transactions contemplated under the S&P Agreement;
- (e) no decision, order or judgment having been issued or made by any government authority in Hong Kong or the PRC at any time prior to the Completion Date that has the effect of making unlawful or otherwise prohibiting or restricting the transfer of the Sale Shares to the Purchaser;
- (f) as at Completion, all the Warranties given by the Vendor are and shall remain true, accurate, correct and complete and not misleading in all material respects; and
- (g) all the receivables owing by related companies to the Disposal Company and the liabilities owing by the Company to related companies have been duly waived and/or fully settled.

If any of the Conditions is not fulfilled (or waived by the Purchaser as the case may be) on or before the Completion Date, the Purchaser shall be entitled to cancel the transaction under the S&P Agreement whereupon the Vendor shall return the initial and final deposits paid to the Purchaser forthwith and all liabilities of the Parties pursuant to the S&P Agreement shall cease and neither party shall have any claim against the other but without prejudice to accrued right of either party against the other party for antecedent breach prior thereto.

The Vendor shall also deliver to the Purchaser for verification the draft Completion Accounts not less than ten Business Days prior to the Completion Date.

For the purposes of fulfilling the Condition (a) above, the Vendor shall deliver to the Purchaser for the Purchaser's solicitors' inspection all title deeds and documents relating to the Property within 30 days from the date of the S&P Agreement in accordance with Section 13 of the CPO.

The Purchaser may in its absolute discretion waive any of Conditions (a), (b), (f) and (g) at any time by notice in writing to the Vendor. For the avoidance of doubt, Conditions (c), (d), (e) cannot be waived by the Purchaser.

Completion

Subject to fulfilment of the Conditions or waiver thereof as the case may be, Completion shall take place at or before 5:00 p.m. on the Completion Date at the office of the Vendor's Solicitors or at such other place and time as shall be mutually agreed between the Parties in writing when all (but not some only) of the events described in Clauses 5.2 and 5.3 of the S&P Agreement shall occur.

Warranties and Undertakings

The Vendor hereby warrants and represents to the Purchaser that all the Warranties are true and accurate in all material respects and not misleading in any material respect as at the date of the S&P Agreement and will continue to be so up to and including the time of Completion. The Vendor acknowledges that the Purchaser in entering into the S&P Agreement is relying on such representations, warranties and undertakings and that the Purchaser shall be entitled to treat them as conditions of the S&P Agreement.

Subject to this, the Vendor hereby undertakes that it will at all times indemnify the Purchaser against any loss or damage suffered by the Purchaser as a result of any breach of the Warranties.

Each of the Warranties is without prejudice to any other Warranty and, except where expressly stated otherwise, no provision in any Warranty contained in the S&P Agreement shall govern or limit the extent or application of any other Warranty.

Each of the Warranties is made or given to the best of the information, knowledge and belief of the Vendor.

The Vendor further warrants and represents to and with the Purchaser that if after the signing of the S&P Agreement and before Completion any event shall occur or matter shall arise which results or may result in any of the Warranties being unfulfilled, untrue, misleading or incorrect in any material respect at Completion, the Vendor shall immediately notify the Purchaser in writing prior to Completion.

Other Provisions

The Vendor shall send not less than two Business Days prior to the Completion Date for verification by the Purchaser an apportionment accounts to deal with the assets and the liabilities (other than the Properties) of the Company including, *inter alia*, management fees deposit, utilities deposits, rates and government rent, management fees, outgoings, rent receivable, etc. relating to the Properties and provision for profits tax of the Company and such other refundable deposits and funds, payments and prepayments, rental deposit paid to the Company pursuant to the Tenancy Agreements and/or other sums which are necessary to be apportioned between the parties with the Completion Date as a cut-off date (the “**Apportionment Accounts**”) and the parties shall settle the Apportionment Accounts upon the Completion Date.

All rents and profits shall be retained and all outgoings (including but not limiting to rates and government rent and management fees of the Property) shall be discharged by the Vendor on behalf of the Disposal Company up to and inclusive of the Completion Date and as from but exclusive of that day all rents and profits shall be taken and all outgoings shall be discharged by the Purchaser on behalf of the Disposal Company.

INFORMATION OF THE GROUP

The Group is mainly engaged in the design, marketing, distribution and retail sale of toys. Along with subsidiaries, the Group operates its business through three segments. The sale of Original Design Manufacturer (ODM) toys segment is involved in the research, development and sale of premium toys and general class toys. Its premium toys principally consist of animation comic game (ACG) figures with articular designs and movable joints and components. Its general class toys generally comprise ACG figures with limited number of moveable joints and components; and other related miscellaneous products as such pens and hair ties.

INFORMATION OF THE DISPOSAL COMPANY AND THE PROPERTIES

The Disposal Company a limited liability company incorporated in the British Virgin Islands on 16 December 2016 and is principally engaged in investment holding, which is a wholly-owned by the Vendor and is direct wholly-owned by the Company. The principal asset of the Disposal Company would be the Properties.

The Properties consist of (i) workshops No.1, No.2, No.3 and No.4 located at 28 Floor EW International Tower, 120 Texaco Road, Tsuen Wan. New Territories. and (ii) a carpark No.7 located at 1 Floor, EW International Tower, 120 Texaco Road, Tsuen Wan. New Territories.

With reference to the circular of the Company dated 20 October 2020, the original acquisition cost of the Properties was approximately HK\$34.05 million. Deducting a cash rebate of stamp duty of approximately HK\$2.67 million received by the Disposal Company from Cannex Limited subsequent to the completion of the Acquisition, the net original acquisition cost of the Properties was approximately HK\$31.83 million.

The following sets forth the existing arrangements of the tenancy of the Properties:

	workshop No. 1	Workshop No. 2	workshop No. 3	workshop No. 4	carpark No. 7
Term of tenancy:	9 July 2021 to 8 July 2023	15 June 2021 to 14 June 2024	25 June 2021 to 24 June 2024	21 June 2021 to 20 June 2024	1 August 2021 to 1 July 2023
Monthly rent:	HK\$21,000	HK\$20,000	HK\$32,400	HK\$18,900	HK\$4,200

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the tenants are Independent Third Parties.

Financial Information of the Disposal Company

Set out below is summary of the financial information of the Disposal Company for the two years ended 31 March 2020 and 2021 which were prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended 31 March	
	2021	2020
	<i>HK\$</i>	<i>HK\$</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Profit before taxation	543,064	863,971
Profit for the year	543,064	863,971

Based on the management account of the Disposal Company, as at 31 March 2021, the net assets of the Disposal Company was approximately HK\$2.55 million.

REASONS FOR AND BENEFITS OF THE DISPOSAL

In view of the rapid acceleration in inflation this year, the Directors believe that such acceleration may remain for a period of time and lead to the increase in interest rate in the future. In this regard, in addition to the uncertainty to the global economy (including Hong Kong) caused by on-going COVID-19 pandemic, the Directors of the Company are of the view that the Disposal, if materialises, represents a good opportunity for the Company to

capture the anticipated net gain attributable to the Disposal under these uncertain economic environment, and enhance its cash flow to explore other investment opportunities and/or other business expansion.

With reference to the circular of the Company dated 20 October 2020 and the valuation report dated 31 October 2021, despite the value of the Properties remains at HK\$32.0 million, the Company can capture the expected net gain attributable to the Disposal and prevent from suffering a potential loss if the property market goes down in the future based on the abovementioned uncertainties of the economic environment.

Having considered the above, the Directors (excluding the independent non-executive Directors who will form their views after considering the recommendation from the Independent Financial Adviser, and Mr. Li who had abstained from voting on the relevant board resolution given Mr. Li is considered to have material interest in the Disposal) consider the Consideration is fair and reasonable and on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT AND USE OF PROCEEDS

Upon Completion, the Company will cease to own any interest in the Disposal Company. The Disposal Company will cease to be a subsidiary of the Company and its assets, liabilities and financial results will no longer be consolidated into the financial statements of the Group.

The Group expects to record a net gain attributable to the Disposal of approximately HK\$1.10 million, calculated taking into account the Consideration, the direct transaction costs attributable to the Disposal. The actual financial figures and financial effect resulted from the Disposal will be determined based on the financial position of the Disposal Company at Completion and subject to the review and final audit by the auditors of the Company upon Completion. The Company intends to utilise the net proceeds from the Disposal to replenish the Group's general working capital and for future business development.

GEM LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Disposal is more than 25% but is less than 75%, the Disposal constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, Mr. Li, being the purchaser in respect of the Disposal, is the chairman, the executive Director and the substantial Shareholder of the Company. Therefore, Mr. Li is a connected person of the Company pursuant to Chapter 20 of the GEM Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

GENERAL

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve, among others, the S&P Agreement and the Disposal. Mr. Li and his associates will abstain from voting at the EGM on the relevant resolutions to approve the S&P Agreement and the Disposal.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to, among other things, the S&P Agreement and the Disposal and on how to vote. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing, among other things, (i) details of the S&P Agreement and the Disposal; (ii) other information as required to be disclosed under the GEM Listing Rules; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (v) a property valuation report; and (vi) the notice of the EGM, is expected to be despatched to the Shareholders on or before 29 November 2021.

As Completion is subject to and conditional upon fulfilment or waiver (as the case maybe) of the conditions precedent set out in the S&P Agreement and the Disposal may or may not materialise, Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context otherwise requires:

“Acquisition”	the acquisition of Properties by the Disposal Company which was completed on 27 November 2020;
“Board”	the board of Directors;

“Business Day”	means a day on which commercial banks are open for business in Hong Kong (excluding Sundays, public holidays and any weekday on which a Typhoon Signal No. 8 or higher is hoisted or remains hoisted or a black rainstorm warning is given or remains in effect in Hong Kong at any time during 9:00 a.m. to 5:00 p.m.);
“Cannex Limited”	vendor of the Acquisition, a company incorporated in Hong Kong with limited liability and an Independent Third Party;
“Company”	Amuse Group Holding Limited (stock code: 8545), a company incorporated in Cayman Islands with limited liability whose shares are listed on GEM of the Stock Exchange;
“Completion”	means completion of the Disposal;
“Completion Accounts”	means a profit and loss account of the Disposal Company for the period from its date of incorporation to the Completion Date and a balance sheet of the Disposal Company as at the Completion Date;
“Completion Date”	means the fifth Business Day following satisfaction or waiver of the Conditions or such other date mutually agreed by the Parties in writing;
“Connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules;
“Consideration”	means the sum payable by the Purchaser to the Vendor for the Sale Shares in accordance with the terms of the S&P Agreement as stated in paragraph headed “Consideration” in this announcement;
“CPO”	means the Conveyancing and Property Ordinance (Cap.219 of the Laws of Hong Kong);
“Directors”	the director(s) of the Company;
“Disposal”	the disposal of the Sale Shares by the Vendor to Mr. Li pursuant to the S&P Agreement;
“Disposal Company”	D4 Toys (oversea) Co., Ltd., a company incorporated in the British Virgin Islands on 16 December 2016 and a direct wholly-owned subsidiary of the Company;

“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the S&P Agreement, the Disposal and the transactions contemplated thereunder;
“Encumbrance”	means any mortgage, charge, pledge, lien, assignment, hypothecation, equities, adverse claims, other priority or security interest of any nature whatsoever, deferred purchase, title retention, leasing, sale-and-purchase, sale-and-leaseback arrangement over or in any property, assets or rights of whatsoever nature or interest or any agreement for any of same and “ Encumber ” shall be construed accordingly;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange;
“Group”	the Company and its subsidiaries;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	the independent board committee of the Board, comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the S&P Agreement and the transactions contemplated thereunder;
“Independent Financial Adviser”	Titan Financial Services Limited
“Independent Shareholders”	the Shareholders other than those who are required under the GEM Listing Rules to abstain from voting at the EGM for the resolutions approving the S&P Agreement and the transactions contemplated thereunder;
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any of the directors, chief executives or substantial shareholders of the Company or subsidiaries of the Company or any of their respective associates;

“Kai Investment Co., Limited”	means Kai Investment Co., Limited (佳頤投資有限公司), a direct wholly-owned subsidiary of the Disposal Company, a limited liability company incorporated in Hong Kong and having its registered office situate at Flat A-C, 3A/F., Metex House, No.24–32 Fui Yiu Kok Street, Tsuen Wan, New Territories, Hong Kong;
“Mr. Li”	Mr. Li Wai Keung, being the chairman, the executive Director, and the substantial Shareholder of the Company;
“Properties”	Workshops No.1, No.2, No.3 and No.4 on 28th Floor and van carpark No.7 on 1/F, EW International Tower, 120 Texaco Road, Tsuen Wan, New Territories, Hong Kong;
“Purchaser”	Mr. Li Wai Keung, being the chairman, the executive Director, and the substantial Shareholder of the Company;
“Reorganisation”	means the disposal of entire issued shares of the Subsidiaries, namely Sentinel Int’l (US) Company Ltd. and Kai Investment Co., Ltd held by the Disposal Company;
“S&P Agreement”	the S&P agreement for sale and purchase dated 8 November 2021 entered into between the Vendor and Mr. Li in relation to the Disposal;
“Sale Shares”	50,000 ordinary shares of US\$1.00 each in the Disposal Company, representing the entire issued share capital of the Disposal Company;
“Sentinel Int’l (US) Company Ltd.	means Sentinel Int’l (US) Company Ltd., a direct wholly-owned subsidiary of the Disposal Company, a company incorporated in the United States of America with registered address situated at 3500 S. Dupont Highway Street, in the City of Dover, County of Kent, Zip Code 19901, State of Delaware, The United States of America;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Company’s shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Tenancy Agreements”	means the existing tenancy agreements in respect of the Properties duly executed by the Disposal Company as landlord and the tenants;
“US\$”	means United States dollars, the lawful currency of the United States of America;
“Vendor”	Amuse International Investment Limited, a wholly owned subsidiary of the Company;
“Vendor’s Solicitors”	means Messrs. Patrick Mak & Tse, Solicitors of Rooms 901–905, 9/F., Wing On Centre, 111 Connaught Road Central, Hong Kong;
“Warranties”	means the warranties, representations and undertakings given or made by the Vendor contained, including but not limited to those set out in Clause 6 and Schedule 4 in the S&P Agreement);
“%”	Per cent

By order of the Board
Amuse Group Holding Limited
Li Wai Keung
Chairman and Executive Director

Hong Kong, 8 November 2021

As at the date of this announcement, the Board comprises Mr. Li Wai Keung, Mr. To Hoi Pan and Ms. Lee Kwai Fong as executive Directors; Mr. Lee Ming Yeung Michael and Mr. Wei Qing as non-executive Directors; and Mr. Yu Pui Hang, Ms. Ren Hongyan and Ms. Chow Chi Ling Janice as independent non-executive Directors.

This announcement, 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 announcement 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 announcement misleading.

This announcement will be published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk, the GEM website at www.hkgem.com, on the “Latest Company Announcements” page for at least seven days from the date of its posting and the Company’s website at www.amusegroupholding.com.