

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Amuse Group Holding Limited (the “Company”), you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



**Titan Financial Services Limited**

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 5 to 18 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 19 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 20 to 42 of this circular.

A notice convening the EGM to be held on Friday, 7 January 2022 at 11:00 a.m. at Flat A-C, 3A/F, Metex House, 24-32 Fui Yiu Kok Street, Tsuen Wan, Hong Kong is set out on pages 58 to 60 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the office of the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM or any adjourned meeting thereof if they so wish.

20 December 2021

**PRECAUTIONARY MEASURES AND SPECIAL ARRANGEMENTS FOR THE EGM**

Considering the outbreak of the coronavirus (COVID-19), certain measures will be implemented at the EGM with a view to addressing the risk to attendees of infection, including without limitation, (i) all attendees being required to (a) undergo compulsory body temperature check; and (b) wear surgical masks prior to admission to the EGM venue; (ii) attendees who are subject to health quarantine prescribed by the HK Government not being admitted to the EGM venue; (iii) all attendees being required to wear surgical masks throughout the EGM; (iv) each attendee being assigned a designated seat at the time of registration to ensure social distancing; (v) no refreshment packs or coffee/tea being provided; and (vi) the management will be available either in person or through video conference facilities to host the EGM and answer questions from Shareholders.

**The Company reminds attendees that they should carefully consider the risks of attending the EGM, taking into account their own personal circumstances. Furthermore, the Company would like to remind Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising their voting rights and strongly recommends that Shareholders appoint the Chairman of the EGM as their proxy and submit their form of proxy as early as possible. The form of proxy can be downloaded from the Company's website ([www.amusegroupholding.com](http://www.amusegroupholding.com)) or the Stock Exchange's website.**

The Company will keep the evolving COVID-19 situation under review and may implement additional measures which it will announce closer to the date of the EGM.

*This circular will remain on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk), the GEM website at [www.hkgem.com](http://www.hkgem.com), on the "Latest Company Announcements" page for at least seven days from the date of its posting and on the Company's website at [www.amusegroupholding.com](http://www.amusegroupholding.com).*

*This circular is in English and Chinese. In case of any inconsistency, the English version shall prevail.*

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## CHARACTERISTICS OF GEM

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

## DEFINITIONS

*In this circular, unless the context otherwise requires, the following terms or expressions shall have the meaning set out below:*

“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 circular;
“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;

## DEFINITIONS

“Disposal Company”	D4 Toys (oversea) Co., Ltd., a company incorporated in the British Virgin Islands on 16 December 2016 and a 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 “ <b>Encumber</b> ” 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, a licensed corporation to carry out Type 6 regulated activity (advising on corporate finance) under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the S&P Agreement and the Disposal;
“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;

## DEFINITIONS

“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 prior to the Reorganisation, 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;
“Latest Practicable Date”	13 December 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;
“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 1st Floor, 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 Kai Investment Co., Limited and Sentinel Int’l (US) Company Ltd., held by the Disposal Company to the Vendor which was completed on 19 November 2021 and 7 December 2021, respectively;
“S&P Agreement”	the sale and purchase agreement 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;

## DEFINITIONS

“Sentinel Int’l (US) Company Ltd.”	means Sentinel Int’l (US) Company Ltd., a direct wholly-owned subsidiary of the Disposal Company prior to the Reorganisation, 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;
“Valuer”	AA Property Services Ltd, an independent valuer engaged by the Company for the preparation of the Valuation Report in relation to the market value of the Properties;
“Valuation Report”	the valuation report dated 31 October 2021 prepared by AA Property Services Ltd for assessing the market value of the Properties to be disposed of by the Disposal Company, the full text of which is set out in Appendix I to this circular;
“Vendor”	Amuse International Investment Ltd., 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



LETTER FROM THE BOARD



**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)**

*Executive Directors:*

Mr. Li Wai Keung (*Chairman*)  
Mr. To Hoi Pan  
Ms. Lee Kwai Fong

*Non-executive Directors:*

Mr. Lee Ming Yeung Michael  
Mr. Wei Qing  
Mr. Chu Wai Tak (appointed on 1 December 2021)

*Independent Non-executive Directors:*

Mr. Yu Pui Hang  
Ms. Chow Chi Ling Janice  
Ms. Ren Hongyan  
Ms. Kwok Wai Ling (appointed on 1 December 2021)

*Principal place of*

*business in Hong Kong:*  
Flat A-C, 3A/F, Metex House,  
24-32 Fui Yiu Kok Street,  
Tsuen Wan, Hong Kong

*Registered Office:*

Second Floor, Century Yard,  
Cricket Square, P.O. Box 902,  
Grand Cayman, KY1-1103,  
Cayman Islands

Hong Kong, 20 December 2021

*To the Shareholders,*

Dear Sir or Madam,

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

**INTRODUCTION**

Reference is made to the announcement of the Company dated 8 November 2021, in relation to the S&P Agreement and the Disposal.

The purpose of this circular is to provide you with the information, 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 Valuation Report; and (vi) the notice of the EGM.

## LETTER FROM THE BOARD

### 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 Ltd., 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 upon Completion. The Disposal Company is directly owned as to 100% by the Vendor. As at the date of the S&P Agreement, the Disposal Company beneficially held and owned 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 Latest Practicable Date, free from all Encumbrances.

Pursuant to paragraphs 4 and 5 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 (i) the valuation of the Properties of HK\$32.0 million as assessed on 31 October 2021 by the Valuer. Please refer to Appendix I — Property Valuation Report of this circular for further details; (ii) the outlook of property market and economy conditions of Hong Kong; and (iii) the current conditions of the Properties, including the total costs expended by the Disposal Company on the Properties since the Acquisition. The Consideration has been paid or shall be payable by the Purchaser to the Vendor in the following manner:

- (i) an initial deposit of HK\$1.8 million has been paid by the Purchaser to the Vendor upon signing of the S&P Agreement;

## LETTER FROM THE BOARD

- (ii) a further deposit of HK\$2.0 million has been paid by the Purchaser to the Vendor on 1 December 2021; and
- (iii) the balance of HK\$30.2 million 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 Reorganisation 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 People’s Republic of China 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 Disposal Company to related companies have been duly waived and/or fully settled.

As at the Latest Practicable Date, the Conditions (a), (b), (d) and (g) had been fulfilled.

## **LETTER FROM THE BOARD**

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 the Properties 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 to waive any of the 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. At as the Latest Practicable Date, the Purchaser had no intention to waive any of the Conditions (a), (b), (f) and (g).

### **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.

## LETTER FROM THE BOARD

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 prepared by the Vendor to deal with the assets and the liabilities (other than the Properties) of the Disposal 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 Disposal Company and such other refundable deposits and funds, payments and prepayments, rental deposit paid to the Disposal 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 by cash upon the Completion Date. Agreed-upon procedures will be performed on key financial items of the Apportionment Accounts by external auditor.

All rents and profits shall be retained and all outgoings (including but not limiting to rates and government rent and management fees of the Properties) 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 its subsidiaries, the Group operates its business through three segments. The sale of Original Design Manufacturer (ODM) toys segment, which is the key segment of the Group, 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. The Group is also engaged in the distribution of imported toys and the sale of own licensed toys.

## LETTER FROM THE BOARD

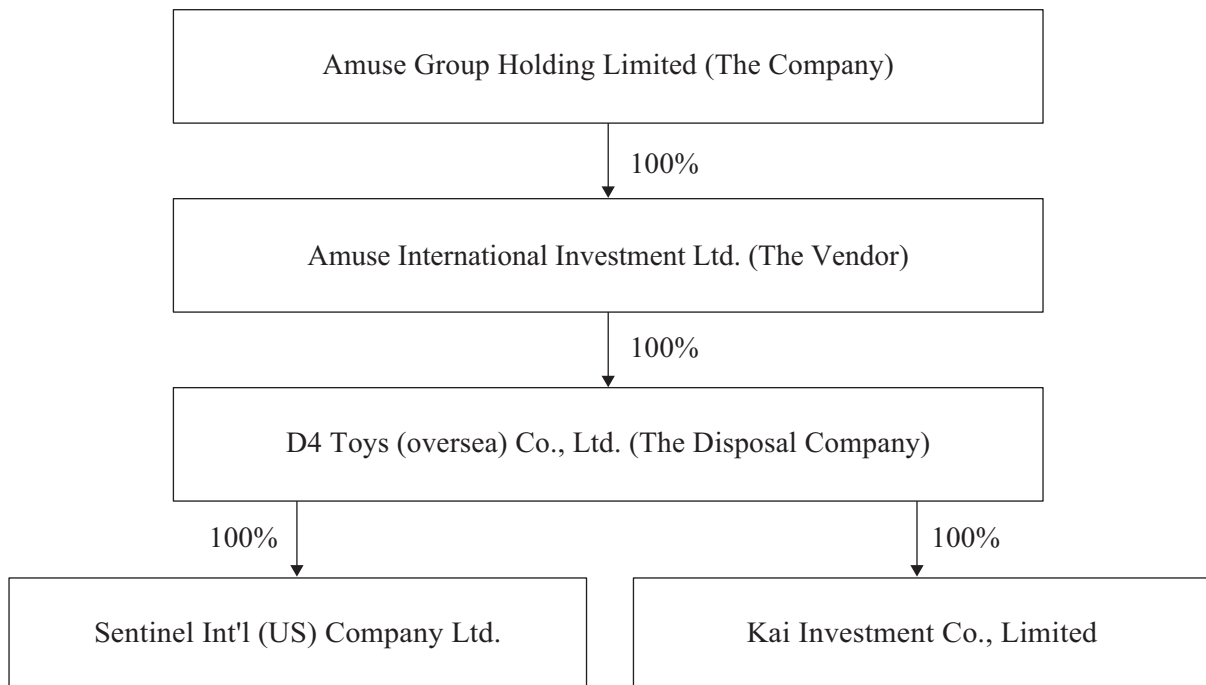
### INFORMATION OF THE DISPOSAL COMPANY AND THE PROPERTIES

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

As at the date of the S&P Agreement, the Disposal Company held the entire issued shares of each of Sentinel Int'l (US) Company Ltd. and Kai Investment Co., Limited. Each of Sentinel Int'l (US) Company Ltd. and Kai Investment Co., Limited was dormant with no business operation. Pursuant to the Conditions of the S&P Agreement, the Reorganisation shall be completed prior to the Completion and that each of Sentinel Int'l (US) Company Ltd. and Kai Investment Co., Limited shall be disposed by the Disposal Company. The Disposal Company shall dispose Sentinel Int'l (US) Company Ltd. and Kai Investment Co., Limited to the Vendor for the satisfaction of aforesaid conditions precedent.

Set out below shareholding structure relevant to the Disposal of the Vendor prior to and after the Reorganisation:

#### Before the completion of the Reorganisation



## LETTER FROM THE BOARD

### After the completion of the Reorganisation



At as the Latest Practicable Date, the Reorganisation had been duly completed.

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

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\$31.38 million.

Since the completion of the Acquisition and up to the Latest Practicable Date, (i) renovation costs of approximately HK\$0.78 million had been expended on the Properties, mainly for the replacement of the heavily worn-out interior decoration, electricity circuits, toilet wares and fire protection engineering of the Properties that aged over 25 years; and (ii) total management fees of the Properties paid by the Disposal Company were approximately HK\$0.17 million.

## LETTER FROM THE BOARD

The following sets forth the details of the Tenancy Agreements 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 of the Properties 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:

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

Based on the unaudited management account of the Disposal Company, as at 31 October 2021, the net assets of the Disposal Company was approximately HK\$2.87 million, comprising:

- (i) the book value of the Properties amounted to approximately HK\$32.46 million;
- (ii) other assets amounted to approximately HK\$26.96 million; and
- (iii) liabilities amounted to approximately HK\$56.55 million.

Pursuant to paragraphs 4 and 5 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.



<b>LETTER FROM THE BOARD</b>
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Set out below is the breakdown of other assets and other liabilities of the Disposal Company (other than the Properties) based on its unaudited management account as at 31 October 2021 and the arrangement upon Completion:

<b>Item</b>	<b>HK\$</b> <i>(unaudited)</i>	<b>Arrangement upon Completion</b>
<b>Other Assets</b>		
Investment in subsidiaries	10,008	Transferred to the Vendor upon completion of the Reorganisation
Deposits and prepayments	66,128	To deal with upon settlement of the Apportionment Accounts
Cash and bank balance	26,882,059	Transfer to other subsidiaries of the Company
	<hr/>	
Total	<u>26,958,195</u>	
<b>Other Liabilities</b>		
Amount due to related companies	(56,257,431)	Deeds of waiver were signed between the Disposal Company and its related companies for the settlement of the related company balances
Deposits received & Other payables	(213,000)	To deal with upon settlement of the Apportionment Accounts
Accrued expenses	(6,000)	To deal with upon settlement of the Apportionment Accounts
Income tax payable	(71,506)	To deal with upon settlement of the Apportionment Accounts
	<hr/>	
Total	<u>(56,547,937)</u>	

## LETTER FROM THE BOARD

### REASONS FOR AND BENEFITS OF THE DISPOSAL

#### Background

On 17 August 2020, the Group entered into a provisional agreement to acquire the Properties at a consideration of approximately HK\$31.38 million. Even though the economy of Hong Kong was adversely affected by COVID-19 pandemic at the time of the Acquisition, the Board was optimistic about the outlook of the property market in Hong Kong due to (i) the expected commencement of vaccine injection by end of 2020 to contain the COVID-19 pandemic; (ii) the expected recovery of Hong Kong economy by resumption of quarantine-free travel with Mainland China in early 2021; and (iii) the expectation that the interest rate would be kept at a relatively low level for a period of time in view of the United States' quantitative easing to boost the economy in 2020.

However, in around August 2021, the Board observed that (i) the economy of Hong Kong was still facing challenges of COVID-19 pandemic and has yet to recover as it was expected in mid-2020; and (ii) the outlook of the property market of Hong Kong became uncertain, owing to the following factors:

1. COVID-19 has yet to be tackled, many countries have imposed travel restrictions to prevent the spread of virus;
2. Hong Kong has yet to resume quarantine-free travel with Mainland China;
3. Unemployment rate of Hong Kong was still at a relatively high level of around 4.7% from June to August 2021; and
4. Worldwide economy (including Hong Kong) has yet to recover but interest rate is expected to increase in view of the rise of inflation with reference to the Consumer Price Index in the United States and that the Board is of the view that the increase in interest rate is most likely to occur in the near future which would adversely affect the whole property market in Hong Kong.

In addition, the Board observed that the number of property transactions in the building where the Properties are located, (i.e. EW International Tower) dropped substantially in 2021 up to August 2021 as compared to 2020 and 2019. Given the above, the Board is therefore no longer optimistic in the Group's investment in the Properties and had contemplated the disposal of the Properties. The Group has then arranged real estate agencies to advertise the sale of the Properties since August 2021. However, no interested buyer has been identified by the agencies. In view of the absence of interested buyer for over three months since August 2021, the Board considers that selling the Properties to the Purchaser may immediately enable the Group to diversify and mitigate its risk on the potential fall in property price given the uncertainty in the global and Hong Kong economy.

Notwithstanding the entering into of the S&P Agreement was about one year since the Acquisition, having considered the above, the Board is of the view that the Disposal, if materialises, (i) represents a good opportunity for the Company to capture the anticipated net gain attributable to the Disposal under these uncertain economic environment, and enhance the

## LETTER FROM THE BOARD

Group's cash flow for its existing business development and/or to explore other investment opportunities and/or other business expansion; and (ii) prevent the Company from suffering a potential loss if the property market goes down in the future based on the abovementioned uncertainties of the economic environment.

Subject to changes in future economic conditions and property market, there is no intention of the Board to further acquire any properties for rental income in the near future at the Latest Practicable Date.

### **Valuation of the Properties**

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 (i) valuation of the Properties of HK\$32.0 million as assessed on 31 October 2021 by the Valuer; (ii) the outlook of property market and economy conditions of Hong Kong as discussed above; and (iii) the current conditions of the Properties, including the total costs expended by the Disposal Company on the Properties since the Acquisition.

In assessing the fairness and reasonableness of the market value of the Properties on 31 October 2021, the Board has reviewed the Valuation Report and discussed with the Valuer in relation to (i) the methodology and assumptions used in the preparation of the Valuation Report as well as the appropriateness of adoption of such methodology and assumptions; (ii) the Valuer's scope of works for conducting the valuation; and (iii) the professional qualification of the Valuer.

The Board also noted that the Valuation Report was prepared with the adoption of market approach. The Valuer has obtained adequate sales comparables for the purpose of using the market approach for valuation. Among the sales comparables, some were sold subject to tenancies which nature is very similar to the Properties. On the other hand, in the use of other valuation method such as capitalisation method of valuation, market rent upon reversion and market and term yields have to be determined. Determination of appropriate market rent upon reversion and the yields would involve making assumptions which would create uncertainties. Since adequate sales comparables are available, the Board concurs with the Valuer that adopting the market approach for the valuation of the Properties is more appropriate. Furthermore, as advised by the Valuer, since the Tenancy Agreements are short term in nature and contain a provision prohibiting subletting, the Valuer considers that the Tenancy Agreements have no commercial value.

Since the rents reserved under the Tenancy Agreements are noted by the Valuer to be in line with the rental level prevailing at the time of the lettings under market approach and has no commercial value as advised by the Valuer, the Board thus believes it did not affect the Consideration of the Properties.

Based on the aforementioned, the Board is of the view that the appraised market value of the Properties of HK\$32.0 million is fair and reasonable.

## LETTER FROM THE BOARD

With reference to the circular of the Company dated 20 October 2020 (the “**Previous Circular**”) for the valuation of Properties as at 14 August 2020 and the Valuation Report. For the valuation of Properties as at 31 October 2021, the value of the Properties remains at HK\$32.0 million. The unchanged value of the Properties in the respective valuation reports dated 14 August 2020 and 31 October 2021 was not in contrary with the Board’s view on the property market and is in line with the Board’s observation on recent transactions volume and transaction prices of EW International Tower which is not optimistic. The Board believes this was the underlying reason that the appraised market values of the Properties remained at HK\$32.0 million between 14 August 2020 and 31 October 2021.

The Board believes that the Valuer was also in charge of the valuation of the Properties for the Previous Circular will not affect its independence. Instead, the Board believes that the Valuation Report to be prepared by the same valuer would provide more adequate and comparable information, based on the same assumptions and methodologies adopted by the Valuer. The Valuer has also confirmed that it has satisfied the independence requirement for valuer under Rule 8.31 of the GEM Listing Rules.

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 that (i) despite the Disposal is not in the ordinary and usual course of business of the Group, it is in the interest of the Company and the Shareholders as a whole; and (ii) the terms of the S&P Agreement, which have been agreed after arm’s length negotiations, are on normal commercial terms or better and such terms are fair and reasonable so far as the Company and the Shareholders are concerned.

### FINANCIAL EFFECT AND USE OF PROCEEDS

Upon Completion, the Company (i) 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; and (ii) Kai Investment Co., Limited and Sentinel Int’l (US) Company Ltd. which were the subsidiaries of the Disposal Company prior to the Disposal would be transferred to the Group pursuant to the Reorganisation and that there will no material adverse impact to the financials of the Group since the Kai Investment Co., Limited and Sentinel Int’l (US) Company Ltd. have been under the Group and each of them is dormant and has no operation.

As a result of the Disposal, the Group will cease to receive any rental income from the Properties upon Completion. In addition, the Group expects to realise a net gain attributable to the Disposal of approximately HK\$1.10 million, which is calculated based on the difference between (i) the Consideration; (ii) the net book value of the Properties of HK\$32.46 million as at 31 October 2021; and (iii) the professional fee for the Disposal of approximately HK\$0.44 million. Based on the unaudited consolidated financial statements of the Group as at 31 October 2021 and the Disposal Company as at 31 October 2021, as a result of the Disposal, the total assets of the Group after the Disposal (the “**Remaining Group**”) are expected to increase by approximately HK\$1.10 million and no effect on the total liabilities of

## LETTER FROM THE BOARD

the Remaining Group, while the net assets (before deduction of transaction costs and expenses) of the Remaining Group is expected to increase by approximately HK\$1.10 million. The actual gain on the Disposal and the financial position of the Remaining Group may be different from the above and will be determined based on the financial position of the Disposal Company on the date of the Completion and be subject to audit.

Upon Completion, pursuant to paragraphs 4 and 5 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. Thus net asset value of the Disposal Company on the Completion Date is expected to be no material difference from the book value of the Properties, hence the Board considered that it is appropriate to calculate the expected net gain from the Disposal based on book value of the Properties instead of the net asset value of the Disposal Company.

The net proceeds from the Disposal, after deducting expected professional fees in connection with the Disposal, are estimated to amount to approximately HK\$33.56 million, of which approximately HK\$31.53 million and HK\$2.03 million (approximately 93.95% and 6.05% respectively, of our total estimated net proceeds) will be used for payment of mould and production cost for our ODM and own licensed toys segments, respectively. It is expected that the net proceeds will be utilised within the next twelve months after Completion.

The Group will continuously expand scale of business operation in its existing three business segments. The ODM segment constantly contributing over 50% of total revenue, therefore it remains the strong pillar of the Group. The development of own licensed toys is essential, which helps the Group to reduce the reliance on the major Japanese customers.

### 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 Latest Practicable Date, 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 the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

### THE EGM

A notice convening the EGM to be held on Friday, 7 January 2022 at 11:00 a.m. at Flat A-C, 3A/F, Metex House, 24-32 Fui Yiu Kok Street, Tsuen Wan, Hong Kong, is set out on pages 58 to 60 of this circular. An ordinary resolution will be proposed at the EGM to consider and, if thought fit, to approve, among others, the S&P Agreement and the Disposal.

## LETTER FROM THE BOARD

The resolution proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company following the conclusion of the EGM to inform you of its results.

Mr. Li, being the Purchaser in respect of the Disposal, is the chairman, the executive Director and the substantial Shareholder of the Company and is a connected person of the Company pursuant to Chapter 20 of the GEM Listing Rules. Accordingly, Mr. Li and his associates will be required to abstain from voting at the EGM on the resolution to approve the S&P Agreement and the Disposal. Save as aforesaid, none of the Shareholders will be required to abstain from voting at the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof should you so wish and, in such event, the form of proxy shall be deemed to be revoked.

### RECOMMENDATION

Taking into consideration of the reasons set out in the paragraph headed "Reasons for and benefits of the Disposal" above, the Directors (including the independent non-executive Directors who have expressed their views in the letter from the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) consider that although the entering into the S&P Agreement and the Disposal are not in the ordinary and usual course of the Group's business, it is on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as far as the Company and the Shareholders are concerned. Accordingly, the Directors (including the independent non-executive Directors who have expressed their views in the letter from the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the S&P Agreement and the Disposal.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 19 of this circular, (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 20 to 42 of this circular; and (iii) the information set out in the appendices of this circular.

Yours faithfully  
For and on behalf of the Board  
**Amuse Group Holding Limited**  
**Li Wai Keung**  
*Chairman and Executive Director*



**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)**

20 December 2021

*To the Independent Shareholders*

Dear Sir or Madam,

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

We refer to the circular of the Company dated 20 December 2021 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings in this letter.

We, being the independent non-executive Directors, have been appointed by the Company as members of the Independent Board Committee to advise the Independent Shareholders in respect of the S&P Agreement and the Disposal. Titan Financial Services Limited has been appointed to advise the Independent Shareholders and us in this regard. Details of the advice and recommendations from Titan Financial Services Limited, together with the principal factors and reasons taken into consideration by it in arriving at such advice and recommendations, are set out in the “Letter from the Independent Financial Adviser” on pages 20 to 42 of the Circular.

Having considered, among other things, the factors and reasons considered by, and the advice and recommendations of Independent Financial Adviser, we concur with their views and consider that although the entering into the S&P Agreement and the Disposal are not in the ordinary and usual course of the Group’s business, it is on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as far as the Company and the Shareholders are concerned. Accordingly, we recommend that the Independent Shareholders should vote in favor of the resolution to be proposed at the EGM to approve the S&P Agreement and the Disposal.

Yours faithfully

For and on behalf of the

**Independent Board Committee**

**Mr. Yu Pui Hang Ms. Chow Chi Ling Janice Ms. Ren Hongyan Ms. Kwok Wai Ling**

*Independent non-executive Directors*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the full text of the letter from Titan Financial Services Limited setting out the advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



**Titan Financial Services Limited**  
12/F, Woon Lee Commercial Building  
7-9 Austin Avenue  
Tsim Sha Tsui  
Hong Kong

20 December 2021

*To the Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

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

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 20 December 2021 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As set out in the Letter from the Board, on 8 November 2021, the Vendor (a direct 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 Vendor will, in effect, dispose the Properties through the Disposal Company.

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

Mr. Li, being the Purchaser in respect of the Disposal, is the chairman of the Board, the executive Director and the substantial Shareholder of the Company. Therefore, Mr. Li is a connected person of the Company under the GEM Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company has established an Independent Board Committee comprising Mr. Yu Pui Hang, Ms. Ren Hongyan, Ms. Chow Chi Ling Janice and Ms. Kwok Wai Ling, being all the independent non-executive Directors, to advise the Independent Shareholders in respect of the S&P Agreement and the Disposal.

### INDEPENDENT DECLARATION

We, Titan Financial Services Limited, are not associated or connected with the Company, the counterparty of the S&P Agreement or their respective core connected persons or associates. As at the Latest Practicable Date, save for this appointment as the independent financial adviser in relation to the Disposal, there have been no engagements between the Company and Titan Financial Services Limited during the past two years. As at the Latest Practicable Date, there have been no relationships or interests existing between (i) Titan Financial Services Limited; and (ii) the Group and Mr. Li or any of their respective subsidiaries or associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 17.96 of the GEM Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the S&P Agreement.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

### BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company (collectively, the “**Management**”).

The Directors have declared a responsibility statement set out in Appendix III to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and that there are no other matters the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Management. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. In forming our opinion, we have reviewed, including but not limited to, (i) the S&P Agreement; (ii) the announcement of the Company dated 8 November 2021 in relation to the Disposal; (iii) the annual report of the Company for the year ended 31 March 2021 (the “**FY2021 Annual Report**”); (iv) the interim report of the Company for the six months ended 30 September 2021 (the “**2021 Interim Report**”); (v) the unaudited management accounts of the Disposal Company for the seven months ended 31 October 2021; (vi) the Valuation Report as set out in Appendix I to the Circular prepared by the Valuer; and (vii) the engagement letter of the Valuer in relation to the Valuation Report. We have also conducted an interview with the Valuer to assess its qualifications and experience and the steps and due diligence measures taken by the Valuer in preparing the Valuation Report. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, the Vendor and the Purchaser, or any of their respective subsidiaries or associates.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

#### **1 Information of the Group and the Properties**

##### ***1.1 Background information of the Group***

The Group is mainly engaged in the design, marketing, distribution and retail sale of toys. Along with its subsidiaries, the Group operates its business through three segments. The sale of Original Design Manufacturer (ODM) toys segment, which is the key segment of the Group, 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. The Group is also engaged in the distribution of imported toys and the sale of own licensed toys.

##### ***1.2 Historical financial performance of the Group***

Set out below is a summary of the audited consolidated financial performance of the Group for the years ended 31 March 2020 and 31 March 2021 and the unaudited consolidated financial performance of the Group for the six months ended 30 September 2020 and 30 September 2021 as extracted from the FY2021 Annual Report and the 2021 Interim Report, respectively.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Financial performance of the Group*

	For the year ended		For the six months ended	
	31 March		30 September	
	2020	2021	2020	2021
	("FY2020")	("FY2021")	("6M2020")	("6M2021")
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue				
— Sales of ODM toys to license holders	136,829	134,054	62,709	56,767
— Distribution of imported toys and related products	36,669	44,297	20,825	30,285
— Sales of own licensed toys and related products	33,467	33,116	11,760	29,339
Total revenue	206,965	211,467	95,294	116,391
Gross profit	42,182	37,964	17,211	18,630
Profit attributable to owners of the Company	7,450	8,677	6,313	2,878

### *FY2021 vs FY2020*

The Group's revenue slightly increased by approximately HK\$4.5 million, or approximately 2.2%, from approximately HK\$207.0 million for FY2020 to approximately HK\$211.5 million for FY2021. According to the FY2021 Annual Report, the increase was mainly due to the increase in distribution of imported toys and related products of approximately HK\$7.6 million, or approximately 20.8%, from HK\$36.7 million for FY2020 to HK\$44.3 million for FY2021, as offset by the slight decrease in the sales of ODM toys to license holders of approximately HK\$2.8 million, or approximately 2.0%, such decrease was mainly due to the unpredictable development of COVID-19 and transportation restrictions in almost all countries.

The Group's profit for the year increased by approximately HK\$1.2 million, or approximately 16.5% from approximately HK\$7.5 million for FY2020 to approximately HK\$8.7 million for FY2021. According to the FY2021 Annual Report, the increase was mainly due to (i) no bad debts was recognised in FY2021 while during FY2020 bad debts of approximately HK\$4.5 million was recognised; and (ii) the decrease in selling expenses of approximately HK\$1.2 million which was resulted from the cancellation of local and overseas exhibition events during FY2021 due to the outbreak of the COVID-19; as offset by the decrease in the gross profit of approximately HK\$4.2 million during FY2021 due to the increase of labour and raw material cost which led to the increase of the cost of ODM toys and own licensed toys and related products.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *6M2021 vs 6M2020*

The Group's revenue significantly increased by approximately HK\$21.1 million, or approximately 22.1%, from approximately HK\$95.3 million for 6M2020 to approximately HK\$116.4 million for 6M2021. According to the 2021 Interim Report, the increase was mainly due to (i) the increase in sales of own licensed toys and related products of approximately HK\$17.6 million, or approximately 149.5%, from approximately HK\$11.8 million for 6M2020 to approximately HK\$29.3 million for 6M2021 as a result of a newly developed super hero series figure which was highly popular during 6M2021; and (ii) the increase in distribution of imported toys and related products of approximately HK\$9.5 million, or approximately 45.4%, from approximately HK\$20.8 million for 6M2020 to approximately HK\$30.3 million for 6M2021 as a result of one hot selling high-end robot figure released and delivered during 6M2021, which contributed over 50% sales in the segment.

The Group's profit for the period decreased by approximately HK\$3.4 million, or approximately 54.4% from approximately HK\$6.3 million for 6M2020 to approximately HK\$2.9 million for 6M2021. According to the 2021 Interim Report, the decrease was mainly due to (i) the increase in administrative expenses of approximately HK\$2.5 million due to a HK\$3 million discretionary bonus given to Mr. Li to reward his exceptional performance; (ii) the decrease in other net income of approximately HK\$1.7 million mainly due to the subsidy of Employment Support Scheme and the Retail Sector Subsidy Scheme from Hong Kong Government was ceased; and (iii) the share of loss of a joint venture of approximately HK\$0.5 million during 6M2021; as offset by the increase in gross profit of approximately HK\$1.4 million as a result of the increase in revenue during 6M2021.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Financial position of the Group*

Set out below is a summary of the unaudited financial position of the Group as at 30 September 2021 as extracted from the 2021 Interim Report.

	<b>As at 30 September 2021</b> <i>HK\$'000</i> <i>(unaudited)</i>
Non-current assets	56,258
Current assets	<u>171,549</u>
<b>Total assets</b>	<b><u><u>227,807</u></u></b>
Current liabilities	45,152
Non-current liabilities	<u>906</u>
<b>Total liabilities</b>	<b><u><u>46,058</u></u></b>
<b>Net assets</b>	<b><u><u>181,749</u></u></b>

As at 30 September 2021, total assets of the Group amounted to approximately HK\$227.8 million, which mainly comprised (i) bank deposits and cash of approximately HK\$107.9 million; (ii) other receivables of approximately HK\$40.2 million; (iii) investment properties of approximately HK\$32.5 million; (iv) property, plant and equipment of approximately HK\$21.1 million; and (v) trade and bills receivables of approximately HK\$15.1 million.

As at 30 September 2021, total liabilities of the Group amounted to approximately HK\$46.1 million, which mainly comprised (i) contract liabilities of approximately HK\$28.7 million; (ii) trade and other payables of approximately HK\$9.3 million; and (iii) bank loans of approximately HK\$3.4 million.

### ***1.3 Information on the Disposal Company and the Properties***

The Disposal Company is a limited company incorporated in the British Virgin Islands on 16 December 2016 and is principally engaged in investment holding. Immediately before Completion, the Disposal Company is directly wholly-owned by the Vendor and is indirectly wholly-owned by the Company. Upon Completion, the principal asset of the Disposal Company would be the Properties.

As set out in the Letter from the Board, as at the date of the S&P Agreement, the Disposal Company held the entire issued shares of each of Sentinel Int'l (US) Company Ltd. and Kai Investment Co., Limited. Each of Sentinel Int'l (US) Company Ltd. and Kai Investment Co., Limited was dormant with no business operation. Pursuant to the

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

conditions of the S&P Agreement, the Reorganisation shall be completed prior to the Completion and that each of Sentinel Int'l (US) Company Ltd. and Kai Investment Co., Limited shall be disposed by the Disposal Company. The Disposal Company shall dispose Sentinel Int'l (US) Company Ltd. and Kai Investment Co., Limited to the Vendor for the satisfaction of aforesaid conditions precedent. As at the Latest Practicable Date, the Reorganisation had been duly completed.

The Properties consist of (i) workshops No.1, No.2, No.3 and No.4 located at 28<sup>th</sup> Floor EW International Tower, 120 Texaco Road, Tsuen Wan, New Territories, Hong Kong; and (ii) a van carpark No.7 located at 1st Floor, EW International Tower, 120 Texaco Road, Tsuen Wan, New Territories, Hong Kong.

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\$31.38 million.

As set out in the Letter from the Board, since the completion of the Acquisition and up to the Latest Practicable Date, (i) renovation costs of approximately HK\$0.78 million had been expended on the Properties mainly for the replacement of the heavily worn-out interior decoration, electricity circuits, toilet wares and fire protection engineering of the Properties that aged over 25 years; and (ii) total management fees of the Properties paid by the Disposal Company were approximately HK\$0.17 million.

The following sets forth the details of the Tenancy Agreements of the Properties:

	<b>workshop No. 1</b>	<b>workshop No. 2</b>	<b>workshop No. 3</b>	<b>workshop No. 4</b>	<b>carpark No. 7</b>
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 of the Properties are Independent Third Parties.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Financial information of the Disposal Company*

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

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

Based on the unaudited management accounts of the Disposal Company, as at 31 October 2021, the net assets of the Disposal Company was approximately HK\$2.87 million, comprising (i) the book value of the Properties amounted to approximately HK\$32.46 million; (ii) other assets amounted to approximately HK\$26.96 million; and (iii) liabilities amounted to approximately HK\$56.55 million.

For further details in relation to the Disposal Company and the Properties, please refer to the paragraph headed “Information of the Disposal Company and the Properties” of the Circular.

## **2 Principal terms of the S&P Agreement**

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

<b>Date:</b>	8 November 2021 (after trading hours)
<b>Vendor:</b>	Amuse International Investment Ltd., a wholly-owned subsidiary of the Company
<b>Purchaser:</b>	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 upon Completion.

The Disposal Company is directly owned as to 100% by the Vendor. As at the date of the S&P Agreement, the Disposal Company beneficially held and owned the entire issued shares of Sentinel Int'l (US) Company Ltd and Kai Investment Co., Limited.

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### *2.1 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 Latest Practicable Date, free from all Encumbrances.

Pursuant to paragraphs 4 and 5 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.

### *2.2 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 (i) the valuation of the Properties of HK\$32.0 million as assessed on 31 October 2021 by the Valuer; (ii) the outlook of property market and economic conditions of Hong Kong; and (iii) the current conditions of the Properties, including the total costs expended by the Disposal Company on the Properties since the Acquisition. The Consideration has been paid or shall be payable by the Purchaser to the Vendor in the following manner:

- (i) an initial deposit of HK\$1.8 million has been paid by the Purchaser to the Vendor upon signing of the S&P Agreement;
- (ii) a further deposit of HK\$2.0 million has been paid by the Purchaser to the Vendor on 1 December 2021; and
- (iii) the balance of HK\$30.2 million shall be paid by the Purchaser to the Vendor upon the Completion Date.

### *2.3 Conditions precedent*

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

- (i) 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;
- (ii) the Reorganisation 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;
- (iii) the S&P Agreement and the transactions contemplated thereunder having been approved by the Independent Shareholders at the EGM;



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- (iv) 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;
- (v) no decision, order or judgment having been issued or made by any government authority in Hong Kong or the People's Republic of China 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;
- (vi) 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
- (vii) all the receivables owing by related companies to the Disposal Company and the liabilities owing by the Disposal Company to related companies have been duly waived and/or fully settled.

As set out in the Letter from the Board, as at the Latest Practicable Date, the Conditions (i), (ii), (iv) and (vii) had been fulfilled.

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 (i) above, the Vendor shall deliver to the Purchaser for the Purchaser's solicitors' inspection all title deeds and documents relating to the Properties 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 to waive any of the Conditions (i), (ii), (vi) and (vii) at any time by notice in writing to the Vendor. For the avoidance of doubt, Conditions (iii), (iv), (v) cannot be waived by the Purchaser.

### **2.4 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.

### ***2.5 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 prepared by the Vendor to deal with the assets and the liabilities (other than the Properties) of the Disposal Company including, *inter alia*, management fees deposit, utilities deposits, rates and government rent, management fees, outgoings, rent receivables, etc. relating to the Properties and provision for profits tax of the Disposal Company and such other refundable deposits and funds, payments and prepayments, rental deposit paid to the Disposal 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 by cash upon the Completion Date. As advised by the Management, agreed-upon procedures will be performed on key financial items of the Apportionment Accounts by external auditor prior to Completion.

All rent and profits shall be retained and all outgoings (including but not limited to rates and government rent and management fees of the Properties) 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 outgoing shall be discharged by the Purchaser on behalf of the Disposal Company.

For details in relation to the terms of the S&P Agreement, please refer to the paragraph headed “The S&P Agreement” of the Circular.

### **3 Analysis on the fairness and reasonableness of the Consideration**

As disclosed in the Letter from the Board, the Consideration was arrived at after arm’s length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to (i) the valuation of the Properties of HK\$32.0 million as assessed on 31 October 2021 by the Valuer (the “**Valuation**”); (ii) the outlook of property market and economic conditions of Hong Kong; and (iii) the current conditions of the Properties, including the total costs expended by the Disposal Company on the Properties since the Acquisition.

#### ***3.1 Assessment of the Valuation***

According to the Valuation Report, the appraised market value of the Properties as at 31 October 2021 was HK\$32.0 million. Details of the Valuation Report are set out in Appendix I to the Circular.

##### *Competency of the Valuer*

We have reviewed the Valuation Report and interviewed the relevant team members of the Valuer with particular attention to: (i) the terms of engagement of the Valuer with the Company; (ii) the qualifications and experience of the Valuer; and (iii) the steps and due diligence measures taken by the Valuer in performing the Valuation. Based on our review of the engagement letter between the Company and the Valuer, we are satisfied that the scope of work performed by the Valuer is

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appropriate to perform the Valuation. We are not aware of any limitation on the scope of work which might have a negative impact on the degree of assurance given by the Valuer. We have enquired with the Valuer as to its independence from the Company and were given to understand that apart from the normal professional fees payable to it in connection with its engagements for the necessary valuation work and due diligence work in relation to (i) the Disposal; (ii) the Acquisition in 2020; and (iii) the valuation of the Properties as at 31 March 2021 for accounting purpose, no arrangement exist whereby it will receive any fee or benefit from the Group and its associates. Further, the Valuer confirmed to us that it is not connected with the Group and that none of its partners, directors or officers is an officer or servant or proposed director of the Group, its controlling shareholder or any affiliated company of the Group and has complied with Rule 8.31 of the GEM Listing Rules in relation to the independence of valuer. Hence, we have no reason to doubt the independence of the Valuer in performing the Valuation. We further understand that the Valuer is certified with the relevant professional qualifications required to perform the Valuation. The person in-charge of the Valuation has over 20 years of experience in the valuation of property located in Hong Kong and the People's Republic of China.

In light of the above, we are not aware of any matters that would cause us to question the Valuer's competence and independence and we are of the view that the Valuer has sufficient expertise and is independent to perform the Valuation.

### *Valuation methodology of the Valuation*

We have discussed with the Valuer regarding the methodology adopted for and the basis and assumptions used in arriving at the Valuation. It is noted that the Valuer carried out inspection of the Properties on 26 October 2021. In valuing the Properties, the Valuer has (i) adopted market approach, and (ii) complied with the requirements set out in the HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors.

Based on our discussion with the Valuer, the valuation methodology in accordance with the HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors of any asset can be broadly classified into one of three approaches, namely the market approach, the cost approach and the capitalisation approach. As advised by the Valuer, the market approach was considered as an appropriate methodology in assessing the value of the Properties given the availability of sufficient number of sales comparables in the similar locality for making a meaningful comparison according to the general industry practice, which is considered to be the best indicator of the market value of the Properties. On the other hand, under the cost approach, the value is established based on the land costs and construction costs without taking into account the market conditions and is only used when there is no market parameter available, which is not an applicable approach to the Valuation. Notwithstanding the Properties are to be sold with lease and that rental income would be generated from the Tenancy Agreements of the Properties, capitalisation approach is considered by the Valuer as a less appropriate approach as the valuation under capitalisation

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approach is established based on forecasted cash flow discounted to present value with an appropriate risk-adjusted discount rate, which requires the estimation of future economic benefit, timing of future cash flow and discount rate that are subject to various assumptions and uncertainties. Given (i) the short remaining lease term of each of the Tenancy Agreements of less than three years with break clause allowing the tenants to terminate the Tenancy Agreements with a notice period of not less than one month, and (ii) the uncertainty of the time to identify and secure new tenants if the Tenancy Agreements were early terminated, the Valuer considered the expected cashflow streams associated with the Tenancy Agreements would not be regarded as certain, stable and reliable for valuation under capitalisation approach without further assumptions to be made. Therefore, the Valuer has adopted the market approach for the Valuation.

We have obtained from the Valuer the information of the comparable properties adopted in the Valuation (the “**Comparable Properties**”) and discussed with the Valuer. We note that the Comparable Properties include properties located in the same building of the Properties and the buildings that are located within the same district as the Properties are located (i.e. Tsuen Wan district) with similar usage (i.e. industrial usage) and conditions as compared to the Properties. According to the Valuer, it has carried out thorough market research of available comparables. We understood from the Valuer that such selection criteria were commonly used in the valuation practice and were considered as fair and reasonable, as they were the most relevant comparables for the purpose of the Valuation. We note that when selecting the Comparable Properties, the Valuer had taken into account, among other, (i) time of the relevant transactions (the “**Time Factor**”); (ii) location, which are in Tsuen Wan district, being the same district in which the Properties are located; (iii) designated usage and grading; (iv) year of completion (the “**Building Age**”); and (v) facilities equipped and appropriate adjustments were made to the Time Factor and the Building Age. The Valuer considers the transaction prices of the Comparable Properties adopted in the Valuation are appropriate as the Comparable Properties consist of transactions sold on vacant possession basis and transactions with existing lease (including transactions with existing lease in the same building of the Properties).

We have conducted desktop research and note that the Comparable Properties are industrial buildings located in the same district as the Properties with similar year of completion of construction. Based on our discussion with the Valuer, the Valuer has included the most suitable and applicable comparables available from public source for the Comparable Properties which meet their selection criteria as identified by them based on their best information, knowledge and belief.

In light of the above, we concur with the Valuer in adopting the market approach of the purpose of the Valuation.

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### *Basis and assumptions of the Valuation*

We have discussed with the Valuer to understand the basis and assumptions which they have taken into consideration in the Valuation.

The Properties have been valued on the open market basis by the market approach whereby sales of property of nature and character similar to the property under consideration are collated and analysed in order to arrive at a value appropriate to the property interests and where appropriate on the basis of capitalisation of the net income receivable with due allowance for reversionary income potential. Comparisons are made in respect of the location, size and character between the Properties and the Comparable Properties in order to arrive at a value appropriate to the property interests.

The Valuation has been made on the assumption that the owners sell the property interests in the open market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to increase the value of such property interests. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property interests and no allowance has been made for the property interests to be sold in one lot or to a single purchaser.

We also noted that the Valuer relied on the information given by the Group and have accepted advice from the Group on such matters, in particular, but not limited to, planning approvals or statutory notices, easements, tenure, identification of property, particulars of occupation, site and floor areas, age of building and all other relevant matters which can affect the values of the property interests. No allowance has been made in the Valuation for any charges, mortgages or amounts owing on the property interests or for any expenses or taxation which may be incurred in effecting a sale. It is also assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their value.

During our review of the Valuation Report and discussion with the Valuer, we did not note any unusual matters in relation to the Valuation Report nor did we have any disagreements on the methodologies and assumptions used in the Valuation Report. In addition, based on our independent research, we note that the above basis and assumptions are commonly adopted in the property valuation performed for similar properties of other listed companies on the Stock Exchange.

Based on the above, we are of the view that the bases, assumptions and methodologies adopted in arriving at the Valuation are fair and reasonable. Hence, we consider it reasonable that the Group and the Purchaser would make reference to, among other things, the Valuation Report when determining the Consideration.

**3.2 Fairness and reasonableness of the Consideration**

Pursuant to the paragraphs 4 and 5 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. In addition, pursuant to the Conditions of the S&P Agreement, (i) the Reorganisation shall be duly completed and both of Sentinel Int'l (US) Company Ltd. and Kai Investment Co., Limited shall cease to be the subsidiary of the Disposal Company; and (ii) all the receivables owing by related companies to the Disposal Company and the liabilities owing by the Disposal Company to related companies (the "**Related Party Balances**") have been duly waived and/or fully settled. Hence, as advised by the Management, the remaining principal assets of the Disposal Company at Completion would be the Properties only.

As set out in the Letter from the Board, the unaudited net assets of the Disposal Company as at 31 October 2021 was approximately HK\$2.87 million, comprising (i) the book value of the Properties amounted to approximately HK\$32.46 million; (ii) other assets amounted to approximately HK\$26.96 million; and (iii) total liabilities amounted to approximately HK\$56.55 million.

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Set out below is the breakdown of other assets and other liabilities of the Disposal Company (other than the Properties) based on its unaudited management accounts as at 31 October 2021 and the arrangement upon Completion:

<b>Item</b>	<b>HK\$</b> <i>(unaudited)</i>	<b>Arrangement upon Completion as set out in the Letter of the Board</b>
<b>Other Assets</b>		
Investment in subsidiaries	10,008	Transferred to the Vendor upon completion of the Reorganisation
Deposits and prepayments	66,128	To deal with upon settlement of the Apportionment Accounts
Cash and bank balance	26,882,059	Transfer to other subsidiaries of the Company
	<u>26,958,195</u>	
<b>Other Liabilities</b>		
Amount due to related companies	(56,257,431)	Deeds of waiver were signed between the Disposal Company and its related companies for the settlement of the Related Party Balances on 16 November 2021
Deposits received and other payables	(213,000)	To deal with upon settlement of the Apportionment Accounts
Accrued expenses	(6,000)	To deal with upon settlement of the Apportionment Accounts
Income tax payable	(71,506)	To deal with upon settlement of the Apportionment Accounts
	<u>(56,547,937)</u>	

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For illustration purpose only, assuming (i) the aggregate balances of other assets of the Disposal Company in the aggregate amount of approximately HK\$26.9 million as at 31 October 2021 would be transferred to the Group; and (ii) the Related Party Balances as at 31 October 2021 (with net amount due to related companies of approximately HK\$56.3 million) would be waived, the Disposal Company would record adjusted net assets value (the “**Adjusted NAV**”) of approximately HK\$31.8 million as at 31 October 2021 (being the valuation of the Properties of approximately HK\$32.0 million as assessed on 31 October 2021 by the Valuer minus the net liabilities value of the Disposal Company of approximately HK\$0.2 million as at 31 October 2021, which comprises of items to be dealt with in the Apportionment Accounts (including the deposits and prepayments, deposits received and other payables, accrued expenses and income tax payable)).

As set out in the Letter from the Board, in arriving the Consideration, the Management had also considered the total costs expended by the Disposal Company on the Properties since the Acquisition. As advised by the Management, costs expended by the Disposal Company in relation to the Properties since the Acquisition and up to the Latest Practicable Date mainly comprised the renovation costs of approximately HK\$0.78 million and the management fees paid of approximately HK\$0.17 million (the “**Total Expended Costs**”). The Total Expended Costs is therefore approximately HK\$0.95 million.

Hence, we are of the view that the Consideration of HK\$34.0 million, which represented a premium over the aggregate amount of (i) the Adjusted NAV of the Disposal Company of approximately HK\$31.8 million; and (ii) the Total Expended Costs of HK\$0.95 million, is fair and reasonable so far as the Company and Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

#### **4 Reasons for and benefits of the Disposal**

On 17 August 2020, the Group entered into a provisional agreement to acquire the Properties at a consideration of HK\$31,382,000. As set out in the Letter from the Board, even though the economy of Hong Kong was adversely affected by COVID-19 pandemic at the time of the Acquisition, the Board was optimistic about the outlook of the property market in Hong Kong due to (i) the expected commencement of vaccine injection by end of 2020 to contain the COVID-19 pandemic; (ii) the expected recovery of Hong Kong economy by resumption of quarantine-free travel with Mainland China in early 2021; and (iii) the expectation that the interest rate would be kept at a relatively low level for a period of time in view of the United States’ quantitative easing to boost the economy in 2020.

However, as advised by the Management, the Board became no longer optimistic in the Group’s investment in the Properties after a year from the Acquisition and decided to dispose the Properties. As further advised by the Management and as set out in the Letter of the Board, the Board had observed that (i) the economy of Hong Kong was still facing challenges of COVID-19 pandemic and has yet to recover as it was expected in mid-2020; and (ii) the outlook of the property market of Hong Kong became uncertain, mainly having considered that, (i) COVID-19 has yet to be contained have imposed travel restrictions to prevent the



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spread of the virus; (ii) the unemployment rate in Hong Kong as released by the Census and Statistics Department was still at a relatively high level of around 4.7% from June 2021 to August 2021; and (iii) the interest rate is expected to increase in view of the rise of inflation with reference to the Consumer Price Index in the United States and the Directors believe that this may have an adverse impact on the property market in Hong Kong. In addition, the Board observed that the number of property transactions in the building where the Properties are located (i.e. EW International Tower) dropped substantially in 2021 up to August 2021 as compared to 2020 and 2019. Given the above, the Board is therefore no longer optimistic in the Group's investment in the Properties and had contemplated the disposal of the Properties. In addition, notwithstanding the Group has arranged real estate agencies to advertise the sale of the Properties since August 2021, as confirmed by the Management, no interested buyer has been identified by the real estate agencies. In view of the absence of potential buyer for over three months since August 2021, the Board considers that selling the Properties to the Purchaser may immediately enable the Group to diversify and mitigate its risk on the potential fall in property price given the uncertainty in the global and Hong Kong economy.

Notwithstanding the entering into of the S&P Agreement was about one year since the Acquisition and having considered the above, the Board is of the view that the Disposal, if materialises, (i) represents a good opportunity for the Company to capture the anticipated net gain attributable to the Disposal under these uncertain economic environment, and enhance the Group's cash flow for its existing business development and/or to explore other investment opportunities and/or other business expansion; and (ii) prevent the Company from suffering a potential loss if the property market goes down in the future based on the abovementioned uncertainties of the economic environment.

With reference to the property market statistics of the Rating and Valuation Department, notwithstanding that (i) the price index of private flatted factories increased by approximately 9.9% from August 2020 to October 2021; and (ii) the average prices of private flatted factories in the New Territories has increased by approximately 2.2% from August 2020 to October 2021, we note that the selling price of recent property transactions within the same building of the Properties had not been favourable since the Group's Acquisition as supported by the initial reported transactions observed in the market as explained below. With reference to the Company's announcement dated 17 August 2020, the consideration of the Acquisition was HK\$31,382,000, representing a price of approximately HK\$4,610 per square foot (i.e. HK\$31,382,000 divided by the gross floor area of the Properties of approximately 6,808 square feet) (the "**Acquisition Per Square Foot Price**"). We have made research on the initial reported market transactions of the same building where the Properties are located (i.e. EW International Tower) since 2020 up to the date of S&P Agreement on a best-effort basis. As noted from the website of an independent and leading property agency in Hong Kong, namely Ricacorp Properties Limited (<https://cir.ricacorp.com/zh/>) (the "**RPL Website**"), eight property transactions for EW International Tower initial reported on the RPL Website subsequent to the date of entering into the provisional agreement for the Acquisition (i.e. 17 August 2020) up to the date of the S&P Agreement (the "**Review Period**") were identified. We note that the transaction details from the RPL Website were made with reference to the information available from the Land Registry and such transaction details were also consistent with the transaction details reported on the website of an another leading property agent, namely Centaline Property Agency Limited (<https://oir.centanet.com>).

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The table below summarise the details of the Acquisition in August 2020 and the property transactions of EW International Tower initial reported on the RPL Website during the Review Period:–

Unit	Transaction Price	Approximate gross floor area (in square feet)	Transaction price per square foot
28/F Unit 1, 2, 3 and 4 <sup>(Note 1)</sup>	HK\$31,382,000	6,808	HK\$4,610
27/F Unit 1	HK\$7,013,000	1,522	HK\$4,608
27/F Unit 2	HK\$6,850,000	1,486	HK\$4,610
27/F Unit 3	HK\$10,030,000	2,400	HK\$4,179
27/F Unit 4	HK\$5,930,000	1,400	HK\$4,236
25/F Unit 4	HK\$5,833,000	1,400	HK\$4,166
22/F Unit 4	HK\$5,625,000	1,400	HK\$4,018
10/F Unit 1	HK\$6,450,000	1,522	HK\$4,238
G/F Unit 1	HK\$26,000,000	3,749	HK\$6,935 <sup>(Note 2)</sup>

*Notes:*

- 1) Represents the transaction detail of the Acquisition in August 2020.
- 2) Represents the transaction detail of a transaction located on the ground floor with the usage not directly comparable to pure industrial usage and considered as an outlier transaction.

Save for one outlier transaction located on the ground floor of EW International Tower with the usage not directly comparable to pure industrial usage, we note that the initial reported transaction price of the other seven transactions of EW International Tower reported on the RPL website during the Review Period were either lower or did not exceed the Acquisition Per Square Foot Price with an initial reported transaction price ranged from approximately HK\$4,018 per square foot (in terms of gross floor area) to approximately HK\$4,610 per square foot (in terms of gross floor area). In particular, we note the initial reported transaction price for four out of these seven transactions during the Review Period are located on 27<sup>th</sup> floor, being one floor below the Workshop No.1, No.2, No.3 and No.4 of the Properties, were also either lower or did not exceed the Acquisition Per Square Foot Price with initial reported transaction price ranged from approximately HK\$4,179 per square foot (in terms of gross floor area) to approximately HK\$4,610 per square foot (in terms of gross floor area).

The Group is principally engaged in the design, marketing, distribution and retail sale of toys. Based on our review of FY2021 Annual Report and the 2021 Interim Report, we note that the Properties are investment properties of the Group and that the rental income for FY2021 and 6M2021 amounted to approximately HK\$16,000 and HK\$377,000, respectively, representing less than 1% of the Group's revenue in the respective periods. As such, we consider that property holding is not a core business of the Group and that the Disposal will not have any material impact on the operation of the Group.

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Although the Disposal is not conducted in the ordinary and usual course of business of the Group and that the Disposal was contemplated within one year from the Acquisition, we consider that the Disposal is justifiable and in the interests of the Company and the Shareholders as a whole, having considered (i) the continuing uncertainty on the global economy brought about by the prolonged pandemic as well as the anticipated increase in interest rate which may pose downward risk on property prices; (ii) the initial reported transaction price of the transactions of EW International Tower during the Review Period did not show sign of increase as compared to the approximately 9.9% increase of price index of private flatted factories and the approximately 2.2% increase of average prices of private flatted factories in New Territories from August 2020 to October 2021 as reported from the Rating and Valuation Department; (iii) the absence of potential buyer (other than the Purchaser) for the Properties since August 2021; and (iv) property holding is not a core business of the Group and that the Disposal will not have any material impact on the operation of the Group.

### **5 Financial effect of the Disposal and use of proceeds**

#### *5.1 Financial effect of the Disposal*

As set out in the Letter from the Board, upon Completion, (i) 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; and (ii) Kai Investment Co., Limited and Sentinel Int'l (US) Company Ltd. which were the subsidiaries of the Disposal Company prior to the Disposal would be transferred to the Vendor pursuant to the Reorganisation and that there will no material adverse impact to the financials of the Group since the Kai Investment Co., Limited and Sentinel Int'l (US) Company Ltd. have been under the Group and each of them is dormant and has no operation.

#### *Earnings*

According to the FY2021 Annual Report and 2021 Interim Report, the Group recorded a net profit of approximately HK\$8.7 million for the year ended 31 March 2021 and approximately HK\$2.9 million for the six months ended 30 September 2021, respectively. As stated in the Letter from the Board, as a result of the Disposal, the Group will cease to receive any rental income from the Properties upon Completion. In addition, the Group is expected to realise a net gain of approximately HK\$1.10 million upon Completion, which is calculated based on the difference between (i) the Consideration; (ii) the net book value of the Properties of approximately HK\$32.46 million as at 31 October 2021; and (iii) the professional fee for the Disposal of approximately HK\$0.44 million.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Assets and liabilities*

Based on the unaudited consolidated financial statements of the Group as at 31 October 2021 and the Disposal Company as at 31 October 2021, as a result of the Disposal, the total assets of the Group after the Disposal (the “**Remaining Group**”) are expected to increase by approximately HK\$1.10 million and no effect on the total liabilities of the Remaining Group, while the net assets (before deduction of transaction costs and expenses) of the Remaining Group is expected to increase by approximately HK\$1.10 million.

The actual gain on the Disposal and the financial position of the Remaining Group may be different from the above and will be determined based on the financial position of the Disposal Company on the date of the Completion and be subject to audit.

### **5.2 The use of proceeds from the Disposal**

Pursuant to the S&P Agreement, the Consideration will be paid by way of cash in full upon Completion. As set out in the Letter from the Board, the net proceeds from the Disposal, after deducting expected professional fees in connection with the Disposal, are estimated to approximately HK\$33.56 million, of which approximately HK\$31.53 million and HK\$2.03 million (approximately 93.95% and 6.05% respectively, of the total estimated net proceeds) will be used for payment of mould and production cost for the Group’s ODM and its licensed toys segments, respectively. It is expected that the net proceeds will be utilised within the next twelve months after Completion.

The Group will continuously expand scale of business operation in its existing three business segments. The ODM segment constantly contributing over 50% of total revenue, therefore it remains the strong pillar of the Group. The development of the Group’s own licensed toys is essential, which helps the Group to reduce the reliance on the major Japanese customers.

After considering (i) the aforesaid planned use of proceeds, of which over 90% of the net proceeds will be allotted for the Group’s ODM business, the key segment of the Group which had proved to be profitable over the years; and (ii) the Group’s licensed toy segment is essential to the Group to enhance the Group’s business development in reducing reliance on customers in a specific country, we are of the view that the intended use of net proceeds from the Disposal would strengthen the Group’s cash flow position with additional working capital to be applied for the Group’s existing business that is commensurate with the Group’s business strategy to expand its operation scale in its existing three business segments.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### RECOMMENDATION

Having taken into account the above principal factors and reasons, in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- (i) property holding is not a core business of the Group, the Disposal will not have any material impact on the operation of the Group and the Disposal allows the Group realise cash and provides additional general working capital to the Group for its existing business;
- (ii) based on our independent work performed on the Valuation Report, we are satisfied with the fairness and reasonableness of the methodology, principal bases, assumptions and parameters adopted in the Valuation Report;
- (iii) the reasons for and benefits of the Disposal as set out in the paragraph headed “reasons for and benefits of the Disposal” in this letter above;
- (iv) the premium of Consideration over the aggregate amount of (i) the Adjusted NAV of the Disposal Company; and (ii) the Total Expended Costs is fair and reasonable so far as the Company and the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole;
- (v) the key terms of the S&P Agreement represent normal commercial terms and fair and reasonable so far as the Company and the Shareholders are concerned and the entering into of the S&P Agreement is in the interests of the Company and Shareholders as a whole; and
- (vi) the Disposal would result in a gain on disposal and increase in net assets for the Group and that the net proceeds from the Disposal would strengthen the working capital of the Group and commensurate with the Group’s business strategy to expand its operation scale in its existing three business segments,

we consider that (i) while the Disposal is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the S&P Agreement are on normal commercial terms or better (i.e. terms which a party could obtain if the transaction were on an arm’s length basis or terms no less favourable to the listed issuer’s group than terms available to or from independent third parties (as defined by Rule 20.06(26) of the GEM Listing Rules)) and fair and reasonable so far as the Company and the Shareholders are concerned.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM for the approval of S&P Agreement and the Disposal.

Yours faithfully,  
For and on behalf of  
**Titan Financial Services Limited**  
**Alvin Tsui**                      **Gwen Leung**  
*Executive Director*              *Associate Director*

*Note:*

*Mr. Alvin Tsui is a licensed person registered with the Securities and Futures Commission and is a responsible officer of Titan Financial Services Limited to carry out Type 6 regulated activity (advising on corporate finance) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). He has over ten years of experience in the corporate finance industry in Hong Kong.*

*Ms. Gwen Leung is a licensed person registered with the Securities and Futures Commission and is a responsible officer of Titan Financial Services Limited to carry out Type 6 regulated activity (advising on corporate finance) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). She has over eight years of experience in the corporate finance industry in Hong Kong.*

*The following is the text of a letter, summary of value and valuation report, prepared for the purpose of incorporation in this circular received from AA Property Services Limited, an independent valuer, in connection with its valuation as at the date of this report of the real properties located in Hong Kong.*

708 Mirror Tower,  
61 Mody Road,  
Tsimshatsui East,  
Kowloon

31 October, 2021

Our Ref. V210285

The Directors  
Amuse Group Holding Limited  
Flat A–C on 3A/F  
Metex House  
Nos.24–32 Fui Yiu Kok Street  
Tsuen Wan  
New Territories

Dear Sirs,

RE : WORKSHOP NOS.1, 2, 3 & 4 ON 28TH FLOOR AND VAN CAR PARK NO.V7 ON 1ST FLOOR, EW INTERNATIONAL TOWER, NO.120 TEXACO ROAD, TSUEN WAN, NEW TERRITORIES (THE “**PROPERTIES**”)

## **INSTRUCTION**

In accordance with your instruction to value the Properties to be disposed of by D4 Toys (oversea) Co., Ltd., a wholly-owned subsidiary of Amuse Group Holding Limited (hereinafter referred to as the “**Company**”) located in Hong Kong, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties as at the date of this report.

## **DEFINITION OF MARKET VALUE**

Our valuation is our opinion of the market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

## **BASIS OF VALUATION AND ASSUMPTIONS**

The property interests have been valued on the open market basis by the market approach whereby sales of property of nature and character similar to the properties under consideration are collated and analysed in order to arrive at a value appropriate to the property interests and

where appropriate on the basis of capitalization of the net income receivable with due allowance for reversionary income potential. Comparisons are made in respect of the location, size and character between the properties and the comparable properties in order to arrive at a value appropriate to the property interests.

Our valuation has been made on the assumption that the owners sell the property interests in the open market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to increase the value of such property interests. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property interests and no allowance has been made for the property interests to be sold in one lot or to a single purchaser.

We have relied to a very considerable extent on the information provided by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, particulars of occupation, site and floor areas, age of building and all other relevant matters which can affect the values of the property interests.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have not carried out on-site measurement to verify the site and floor areas of the properties under consideration. We have assumed that the site and floor areas supplied to us or as shown on the documents handed to us are correct. We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

#### **TITLE INVESTIGATION**

We have conducted searches in respect of the property interests at the Land Registry of Hong Kong. However we have not scrutinized the original documents to verify ownership or to verify any lease amendments which may not appear on the copies handed to us. All documents and leases have been used as reference only and all dimensions, measurements and areas are approximate.

#### **SITE INSPECTION**

We have inspected the exterior and, where possible, the interior of the properties included in the valuation report attached in respect of which we have been provided with such information as we have required for the purpose of our valuation. The properties were inspected by Mr. Alex Ng (Diploma in Surveying with over 20 years of experience in the valuation of property located in Hong Kong) on 26 October, 2021.



No structural survey has been made in respect of the properties. However, in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

### VALUATION STANDARDS

In this valuation, we have complied with all the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; and the HKIS Valuation Standards (2020 Edition) on Properties published by the Hong Kong Institute of Surveyors.

As at the date of valuation, we are still facing an unprecedented set of circumstances caused by COVID-19 and an absence of sufficient market evidence upon which our valuation judgements are based. Therefore, our valuation is reported to be subject to material valuation uncertainty. Consequently, in respect of the valuation, less certainty and a higher degree of caution should be attached to our valuation than would normally be the case.

For the avoidance of doubt, the declaration of material valuation uncertainty does not mean that the valuation cannot be relied upon. Rather, the declaration is included to ensure transparency and provide an insight as to the market context under which the valuation opinion was formed. In recognition of the potential changes in market conditions in response to the changes in the control or spread of COVID-19, we highlight the importance of the date of valuation.

Our Summary of Valuation and Valuation Report are attached.

Yours faithfully,  
For and on behalf of  
**AA PROPERTY SERVICES LIMITED**

**PATRICK W.C. LAI,**  
*MRICS, MHKIS, MCI Arb., RPS (GP)*  
*Executive Director*

*Note:* Mr. Patrick W. C. Lai, Chartered Valuation Surveyor, has been a qualified valuer with AA Property Services Ltd. since 1991 and has over 20 years of experience in the valuation of property located in Hong Kong and the People's Republic of China. Mr. Lai is on the List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in connection with Takeovers and Mergers issued by the Hong Kong Institute of Surveyors under the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

**SUMMARY OF VALUATION****Properties to be disposed of in Hong Kong**

<b>Properties</b>	<b>Capital value in existing state as at the date of this report</b>
Workshop Nos.1, 2, 3 & 4 on 28th Floor and Van Car Park No.7 on 1st Floor EW International Tower No.120 Texaco Road Tsuen Wan New Territories	HK\$32,000,000

## VALUATION REPORT

## Properties to be disposed of in Hong Kong

Property	Description and Tenure	Particulars of Occupancy	Capital Value in existing state as at the date of this report
Workshop Nos.1, 2, 3 & 4 on 28th Floor and Van Car Park No.7 on 1st Floor, EW International Tower, No.120 Texaco Road, Tsuen Wan, New Territories 520/13,735th shares of and in Tsuen Wan Town Lot No.124	<p>The properties comprise four industrial units on 28th floor together with a van parking space on 1st floor of a 27-storeyed industrial building. The building was completed in about 1995. The four industrial units contains a total gross floor area of approximately 632.48 square metres (or approximately 6,808 square feet) and a total saleable area of approximately 469.34 square metres (or approximately 5,052 square feet).</p> <p>By virtue of section 6 of the New Territories Leases (Extension) Ordinance 1988 the lease term of the properties is extended until the expiry of 30 June, 2047. The annual government rent for the properties is equal to 3% of the rateable value of the properties. The properties fall into the area zoned for “Industrial” uses under the current draft Tsuen Wan Outline Zoning Plan No.S/TW/34 dated 26 February 2021.</p>	<p>The subject workshop units on 28/F were subject to various tenancies with the latest expiry date on 24 June, 2024 at a total monthly rent of HK\$92,300 inclusive of rates and management fee, whilst Van Car Park No.7 on 1/F was subject to a tenancy for a term from 01/08/2021 to 31/07/2023 at a monthly rent of HK\$4,200 inclusive of rates and management fee as at the date of this report. The properties were occupied primarily for workshop and carparking purposes respectively.</p>	HK\$32,000,000

*Notes:*

1. The registered owner of the properties is D4 Toys (oversea) Co., Ltd..
2. As per the land registers obtained from the Land Registry, there is no material encumbrance registered against the subject properties.
3. The properties are located on Texaco Road, close to its junction with Yeung Uk Road, in the Tsuen Wan district of the New Territories, Hong Kong. The area is a well-established industrial area comprising mainly old and new industrial developments. Public transport facilities of franchised bus, public light bus and taxi are available nearby. Mass Transit Railway — Tsuen Wan Station is within about 5 minutes driving distance from the properties.
4. The properties were purchased by D4 Toys (oversea) Co., Ltd. at a consideration of HK\$31,382,000 on 27 November, 2020 as per an assignment registered at the Land Registry vide memorial no. 20100100220109. Based on the information provided, the total acquisition cost of the Properties was approximately HK\$34,050,000. After deducting a cash rebate of stamp duty of approximately HK\$2,670,000 received from Cannex Limited (the former owner), the net acquisition cost of the Properties was approximately HK\$31,380,000.
5. The subject building is a 27-storeyed industrial building with designation of ground floor, 1st floor to 30th floor, but the designation of 4th, 13th, 14th and 24th floors have been omitted.

## 1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the three years ended 31 March 2019, 2020 and 2021 are set out in the following:

- (i) the annual report of the Company for the year ended 31 March 2019 at (<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0628/gln20190628177.pdf>);
- (ii) the annual report of the Company for the year ended 31 March 2020 at (<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0624/2020062401494.pdf>); and
- (iii) the annual report of the Company for the year ended 31 March 2021 at (<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0628/2021062801162.pdf>).
- (iv) the interim report of the Company for the six months ended 30 September 2021 at (<https://www1.hkexnews.hk/listedco/listconews/gem/2021/1111/2021111101474.pdf>)

## 2. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 October 2021, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the Group had outstanding indebtedness comprising secured bank borrowings amounting to approximately HK\$3.39 million and lease liabilities amounting to approximately HK\$2.27 million.

The outstanding secured bank borrowings were guaranteed and secured by properties owned by a subsidiary of the Group. Leases liabilities of approximately HK\$1.09 million are secured by the rental deposits.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, the Group did not, as at the close of business on 31 October 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, have any loan capital issued and outstanding or agreed to be issued, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, bank overdraft, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirm that, as of 31 October 2021, being the latest practicable date for the purpose of this statement of indebtedness, save as disclosed above, the Group did not have any issued and outstanding, or authorised or otherwise created but unissued debt securities, term loans, other borrowings, indebtedness, mortgages and charges, contingent liabilities and guarantees.

### 3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into account the financial effect of the Disposal and the financial resources available to the Group including internally generated funds and the existing available credit facilities, the Group will have sufficient working capital for its present requirements for at least twelve months from the date of this circular. The Company has obtained the relevant confirmation as required under Rule 19.66(13) of the GEM Listing Rules.

### 4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is currently engaged in design, marketing, distribution and retail sales of toys and related products. The Company will adopt relatively conservative strategies for its business development in the upcoming one to two years due to continued adverse impact from the outbreak of COVID-19. The Company will continue to maintain its market competitiveness with its superior product quality and will minimize investment with high risks. The Company wishes to maintain relatively stable performance and development momentum among its peers.

The Company will continue to allocate its resource to strengthen its leading position in developing own licensed toys. By applying various brands in product development, we believe that we could increase the uniqueness of our own licensed toys, enhance the market presence of the Company and distinguish the Company from being a general toy distributor or retailer. Our online store, "D4TOYS.COM", was established in 2012 for selling toys and related products to customers worldwide. It enables us to interact directly with consumers and obtain first-hand information about the market response to our products during the pandemic.

The Company believes that we should continuously expand our scale of business operation mainly including (i) the product portfolio of our own licensed toys; (ii) the scale of our overseas distribution network; (iii) size of our manpower; and (iv) the investment in enhancing our information technology system.

### 5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2021, being the date on which the latest published audited consolidated financial statements of the Group were made up.

## 1. RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading.

## 2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company comprised 10,000,000,000 ordinary Shares, which is in turn in HK\$100,000,000, while the issued share capital of the Company comprised 1,000,000,000 ordinary Shares, which is in HK\$10,000,000.

As at the Latest Practicable Date, the Company had no outstanding options, warrants, derivatives or convertible securities which may confer any right to the holder thereof to subscribe for, convert or exchange into new Shares.

## 3. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executives' interests in the Company or its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Nature of interest/ Holding capacity	Number of ordinary shares held	Percentage of issued share capital of the Company (Note 1)
Mr. Li Wai Keung ("Mr. Li") (Note 1)	Interest of a controlled corporation	180,800,000 (L) (Note 2)	18.08%

Notes:

1. Mr. Li is wholly and beneficially interested in the said shares through his wholly owned company, Infinite Force Holdings Ltd (“**Infinite Force**”), which is the beneficial owner of 180,800,000 Shares.
2. The letter “L” denotes the person’s long position in the Shares.

**(b) Substantial Shareholders and other persons’ interests in Shares and underlying Shares**

As at the Latest Practicable Date, person (other than the Directors) who had interests or short positions in the shares and underlying shares of the Company, being 5% or more of the Company’s issued share capital, was recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Nature of interest/ Holding capacity	Number of ordinary shares held	Percentage of issued share capital of the Company
Infinite Force ( <i>Note 1</i> )	Beneficial owner	180,800,000 (L) ( <i>Note 2</i> )	18.08%
Ms. Fong Wing Yan (“ <b>Ms. Fong</b> ”) ( <i>Note 3</i> )	Interest of spouse	180,800,000 (L) ( <i>Note 2</i> )	18.08%
Ms. Lam Hoi Yan	Beneficial owner	65,000,000 (L)	6.50%
Mr. Wong Man Hin Max	Beneficial owner	48,712,000 (L)	4.87%
Star Unicorn International Limited	Beneficial owner	74,536,000 (L)	7.45%

Notes:

1. Infinite Force, a company incorporated in the British Virgin Islands on 18 October 2016 and an investment holding company, is wholly and beneficially owned by Mr. Li who is the chairman and an executive Director of the Company. Therefore, Mr. Li is deemed to be interested in the 180,800,000 Shares held by Infinite Force by virtue of his 100% shareholding interest in Infinite Force.
2. The letter “L” denotes the person’s long position in the Shares.
3. Ms. Fong is the spouse of Mr. Li. She is deemed to be interested in the Shares in which Mr. Li is interested under Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any other interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of GEM Listing Rules.



Save as disclosed above, as at the Latest Practicable Date, the Company was not notified by any persons (other than Directors or chief executive of the Company as discussed above) who had interests or short positions in the Shares or underlying Shares of the Company that was required to be recorded in the register kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of GEM Listing Rules.

#### **4. COMPETING INTEREST**

As at the Latest Practicable Date, none of the Directors of the Group, the compliance adviser (Ample Capital Limited), and their respective associates has interests in the businesses which competes or was likely to compete, whether directly or indirectly, with the business of the Group.

#### **5. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company, or any of its subsidiaries or associated companies which was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

#### **6. DIRECTORS' INTERESTS IN CONTRACTS OR ASSETS**

As at the Latest Practicable Date,

- (i) there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group; and
- (ii) none of the Directors had any direct or indirect interest in any assets which had been, since 31 March 2021 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

#### **7. LITIGATION**

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group that would have a material adverse effect on the results of operation or financial condition of the Group.

**8. QUALIFICATION AND CONSENTS OF EXPERTS**

- (a) The following sets out the qualifications of the experts who have given their opinions or advice or statements as contained in this circular:

NAME	QUALIFICATION
AA Property Services Ltd.	Independent qualified valuer
Titan Financial Services Limited	A licensed corporation to carry out Type 6 regulated activity (advising on corporate finance) under the SFO

- (b) As at the Latest Practicable Date, each of the above experts had no shareholding in the Company or any other member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.
- (c) As at the Latest Practicable Date, each of the above experts had no direct or indirect interests in any assets which has been acquired or disposed of by or leased to any member of the Group since 31 March 2021 (the date to which the latest published audited consolidated financial statements of the Group were made up) or proposed to be so acquired, disposed of or leased to any member of the Group.
- (d) As at the Latest Practicable Date, each of the above experts had given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of their reports or letters or their name and logo in the form and context in which they respectively appear.

**9. MATERIAL CONTRACTS**

As at the Latest Practicable Date, the following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the S&P Agreement;
- (b) the provisional agreement dated 17 August 2020 for the Acquisition;
- (c) the formal agreement dated 16 November 2020 for the Acquisition; and

- (d) the joint venture agreement dated 30 March 2020 between Amuse Luck Limited (a wholly-owned subsidiary of the Company) and Grand View Protective Products Limited to jointly establish a limited liability company proposed to be incorporated in Hong Kong (whereby Amuse Luck Limited contributed HK\$3 million to the joint venture), which will principally engage in manufacturing and sale of protective products in Hong Kong and People's Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and the Taiwan area) markets.

#### **10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company ([www.amusegroup.com](http://www.amusegroup.com)) from the date of this circular up to and including 14 days (except public holidays):

- (a) the memorandum and articles of association of the Company;
- (b) the S&P Agreement;
- (c) the annual reports of the Company for each of the three years ended 31 March 2019, 2020 and 2021, respectively;
- (d) the first quarterly report of the Company for the three months ended 30 June 2021;
- (e) the interim report of the Company for the six months ended 30 September 2021;
- (f) the letter from the Board, the text of which is set out on pages 5 to 18 of this circular;
- (g) the letter from the Independent Board Committee, the text of which is set out on page 19 of this circular;
- (h) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 20 to 42 of this circular;
- (i) the Valuation Report issued by the Valuer as set out in Appendix I of this circular;
- (j) the written consents referred to in the paragraph headed "Expert's qualification and consent" in this appendix; and
- (k) this circular.

**11. MISCELLANEOUS**

- (a) The company secretary and compliance officer of the Company is Mr. TO Hoi Pan, who is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands.
- (c) The head office and principal place of business of the Company in Hong Kong is at Flat A-C, 3A/F, Metex House, 24-32 Fui Yiu Kok Street, Tsuen Wan, Hong Kong.
- (d) The principal share registrar of the Company is Tricor Services (Cayman Islands) Limited at Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands.
- (e) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (f) The Company has an audit committee established with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are (i) to make recommendations to the Directors on the appointment and removal of external auditors, (ii) to review the financial statements and material advice in respect of financial reporting process of the Group and (iii) to oversee the internal control systems of the Group. The audit committee currently consists of all independent non-executive Directors, namely Ms. Chow Chi Ling Janice, Mr. Yu Pui Hang and Ms. Ren Hongyan. Ms. Chow Chi Ling Janice is the chairman of our audit committee.

Ms. CHOW Chi Ling Janice (“**Ms. Chow**”) is an independent non-executive Director. Ms. Chow is responsible for providing independent judgement on our strategy, performance, resources and standard of conduct. Ms. Chow obtained a degree of Bachelor of Commerce from The University of Auckland in New Zealand in May 2004. She subsequently obtained a degree of Master of Commerce in Finance from The University of New South Wales in Australia in September 2005. Ms. Chow has become a certified public accountant of the Hong Kong Institute of Certified Public Accountants since January 2010.

Mr. YU Pui Hang (“**Mr. Yu**”) is an independent non-executive Director. He is responsible for providing independent judgement on our strategy, performance, resources and standard of conduct. Mr. Yu obtained a degree of Bachelor of Laws from the King’s College London of the University of London in the United Kingdom in July 2001. Mr. Yu was admitted to practise law as a solicitor in Hong Kong in August 2004 and in England and Wales in April 2005. He was also admitted as an associate of the Hong Kong Institute of Arbitrators in May 2003. Mr. Yu was appointed as the honorary legal advisor to the Hong Kong Federation of Invention and Innovation since July 2017 and the honorary legal advisor to The GHM-Greater Bay Area TECHFIN Association since May 2018.

Ms. REN Hongyan (“**Ms. Ren**”) is an independent non-executive Director. She is responsible for providing independent judgment on our strategy, performance, resources and standard of conduct. Ms. Ren has over 10 years of experience in real estate investment and development, real estate finance, and has a comprehensive understanding of the real estate market to seek valuable business projects for companies. She has participated in many domestic factoring cases and provided small and medium-sized enterprises with professional financial services integrated tailor-made accounts receivable financing, credit guarantees, and supply chain financial management.

- (g) The English text of this circular shall prevail over its Chinese text.

**NOTICE OF EXTRAORDINARY GENERAL MEETING**



**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)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of Amuse Group Holding Limited (the “**Company**”) will be held on Friday, 7 January 2022 at 11:00 a.m. at Flat A-C, 3A/F, Metex House, 24-32 Fui Yiu Kok Street, Tsuen Wan, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as ordinary resolution of the Company:

**ORDINARY RESOLUTION**

**“THAT:**

- (a) the S&P Agreement dated 8 November 2021 entered into between the Vendor and the Purchaser and the transactions contemplated thereunder as described in this circular (a copy of which is marked “A” and signed by the chairman of the meeting for the purpose of identification), be and are hereby approved, confirmed and ratified; and
- (b) the directors of the Company be and are hereby authorised on behalf of the Company to do all such acts, matters and things and sign, seal, execute, perfect and deliver all such documents as they may in their discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation and/or give effect to any matters relating to the S&P Agreement and the transactions contemplated thereunder.”

By Order of the Board  
**Amuse Group Holding Limited**  
**Li Wai Keung**  
*Chairman and executive Director*

Hong Kong, 20 December 2021

## NOTICE OF EXTRAORDINARY GENERAL MEETING

*Chairman and executive Director:*

Mr. Li Wai Keung

*Executive Directors:*

Mr. To Hoi Pan

Ms. Lee Kwai Fong

*Non-executive Directors:*

Mr. Lee Ming Yeung Michael

Mr. Wei Qing

Mr. Chu Wai Tak (appointed on 1 December 2021)

*Independent non-executive Directors:*

Ms. Chow Chi Ling Janice

Mr. Yu Pui Hang

Ms. Ren Hongyan

Ms. Kwok Wai Ling (appointed on 1 December 2021)

*Notes:*

1. Any member of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
3. In order to be valid, the instrument appointing a proxy and (if required by the board of the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to the office of the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the Meeting and, in such event, the form of proxy shall be deemed to be revoked.
4. No instrument appointing a proxy shall be valid after expiration of 12 months from the date named in it as the date of its execution, except at an adjourned Meeting or on a poll demanded at the Meeting or any adjournment thereof in cases where the Meeting was originally held within 12 months from such date.
5. Where there are joint holders of any shares, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint holding.

## NOTICE OF EXTRAORDINARY GENERAL MEETING

6. To ascertain shareholders' eligibility to attend and vote at this Meeting, the register of members of the Company will be closed from Tuesday, 4 January 2022 to Friday, 7 January 2022 (both days inclusive), during which period no share transfer will be effected. In order to qualify for attending and voting at the Meeting, unregistered holders of shares of the Company should ensure that all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m., on Monday, 3 January 2022.
7. A form of proxy for use at the Meeting is enclosed.
8. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is hoisted or in effect at or after 9:00 a.m. on the date of the extraordinary general meeting, the Meeting will be postponed. The Company will post an announcement on the Company's website at [www.amusegroupholding.com](http://www.amusegroupholding.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) to notify Shareholders of the date, time and place of the rescheduled meeting.
9. The resolution set out in this notice shall be decided by way of poll.

*This notice, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange 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 notice is accurate and complete in all material respects and not misleading or deceptive, opinions expressed in this notice have been arrived at after due and careful consideration, and there are no other matters the omission of which would make any statement herein or this notice misleading.*

*This notice will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk), the GEM website at [www.hkgem.com](http://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](http://www.amusegroupholding.com).*