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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)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF 30% OF THE ISSUED SHARE CAPITAL
OF THE TARGET COMPANY
INVOLVING ISSUE OF CONSIDERATION SHARES
UNDER GENERAL MANDATE**

Financial adviser to the Company



THE ACQUISITION

Reference is made to the announcement of the Company dated 31 December 2021 regarding the MOU.

The Board is pleased to announce that on 25 April 2022 (after trading hours), the Vendors and the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement, pursuant to which the Vendors have conditionally agreed to sell to the Purchaser, and the Purchaser has conditionally agreed to purchase from the Vendors, the Sale Shares, representing 30% of the issued share capital of the Target Company.

The Consideration is HK\$10,000,000 which shall be fully settled and discharged by the allotment and issue of 192,307,692 Consideration Shares at the Issue Price of HK\$0.052 per Consideration Share to the Vendors at Completion. The Consideration Shares will be issued under the General Mandate.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as calculated in accordance with Rule 19.07 of the GEM Listing Rules) are more than 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under the GEM Listing Rules.

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

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Major terms of the Sale and Purchase Agreement are set out below.

THE SALE AND PURCHASE AGREEMENT

Date	25 April 2022 (after trading hours)
Parties (<i>Note 1</i>)	(i) Vendor A, a citizen of the PRC, who holds 75% of the issued share capital in the Target Company prior to the Acquisition; (ii) Vendor B, a citizen of the PRC, who holds 25% of the issued share capital in the Target Company prior to the Acquisition; and

- (iii) Amuse Luck Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, as the Purchaser.

Note 1: Vendor A and Vendor B are collectively referred to as the “Vendors” and each as a “Vendor”

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Vendors and their associates are third parties independent of the Company and its Connected Persons.

Upon the allotment and issue of the Consideration Shares to the Vendors as settlement of the Consideration at Completion, Vendor A will become a Substantial Shareholder, holding approximately 12.10% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and thus a Connected Person of the Company.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell the Sale Shares. The Sale Shares, representing 30% of the issued share capital of the Target Company, will be sold free from all encumbrances together with all rights to any dividend or other distribution declared, made or paid after the date of the Sale and Purchase Agreement. Details of the Target Group are set out in the section headed “Information of the Target Group” below.

Consideration

The Consideration in the sum of HK\$10,000,000 shall be fully settled and discharged by the allotment and issue of 192,307,692 Consideration Shares at the Issue Price of HK\$0.052 per Consideration Share to the Vendors at Completion. The Vendor A will be allotted 144,230,769 Consideration Shares and the Vendor B will be allotted 48,076,923 Consideration Shares.

Basis of determination of the Consideration

The Consideration was determined after arm’s length negotiations between the Purchaser and the Vendors taking into account (i) the Valuation on the entire equity interest in DongYiQuan, the principal operating company of the Target Group, of approximately HK\$37.3 million as at 31 March 2022 as prepared by the Valuer based on market approach by reference to comparable companies; (ii) the effective 27% equity interest in DongYiQuan to be held by the Purchaser through its 30% shareholding in the Target Company upon Completion; (iii) the historical financial performance of the Target Group;

(iv) the future prospects of the Target Group; and (v) the reasons for and benefits of the Acquisition as set out in the section headed “Reasons for and benefits of the Acquisition” below.

In light of the above, the Directors consider that the Acquisition is on normal commercial terms, which are fair and reasonable and in the interests of the Company and Shareholders as a whole.

Issue of the Consideration Shares

The 192,307,692 Consideration Shares represent:

- (a) approximately 19.23% of the total issued share capital of the Company as at the date of this announcement; and
- (b) approximately 16.13% of the total issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares will be allotted and issued under the General Mandate at Completion. As at the date of this announcement, no Share has been allotted and issued under the General Mandate and the number of Consideration Shares represents approximately 96.15% of the maximum number of new Shares that could be allotted and issued under the General Mandate. Accordingly, the allotment and issue of the Consideration Shares is within the limit of the General Mandate and is not subject to the approval of the Shareholders.

Issue Price

The Issue Price of the Consideration Shares of HK\$0.052 per Consideration Share:

- (a) represents a discount of 20% to the closing price of HK\$0.065 per Share as quoted on the Stock Exchange on 25 April 2022, being the date of the Sale and Purchase Agreement; and
- (b) is equal to the average closing price of approximately HK\$0.052 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the date of the Sale and Purchase Agreement.

The Issue Price was determined after arm’s length negotiation between the Vendors and the Purchaser with reference to the prevailing market price of the Shares. The Directors consider that the Issue Price is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

An application will be made to the GEM Listing Committee for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when issued upon Completion, will rank *pari passu* in all respects with the existing Shares then in issue.

Conditions precedent

Completion shall be subject to the following conditions precedent having been fulfilled or waived (as the case may be):

- (i) the Purchaser being reasonably satisfied with the results of the due diligence review on the Target Group including but not limited to the assets, indebtedness, operation and financial aspect of the Target Group;
- (ii) the Vendors and the Target Company having obtained all necessary consent and approval relating to the Acquisition;
- (iii) the Purchaser having obtained all necessary consent and approval relating to the Acquisition;
- (iv) a legal opinion having been issued by a PRC legal adviser appointed by the Purchaser on the matters relating to the Acquisition in the form and substance to the satisfaction of the Purchaser;
- (v) the GEM Listing Committee having granted the listing of and permission to deal in the Consideration Shares;
- (vi) the warranties remaining true and accurate and not misleading from the date of the Sale and Purchase Agreement until the date of Completion; and
- (vii) the Purchaser being satisfied that there being no material adverse change to the members of the Target Group.

The Purchaser is entitled to waive by written notice conditions (i), (vi) and (vii) set out above by written notice. Other conditions precedent is not capable of being waived by either party. In the event that the above conditions are not fulfilled or waived (as the case may be) on or before 30 June 2022 (or such later date that may be agreed by both parties in writing), the Sale and Purchase Agreement shall cease to be effective and the parties shall be released from all obligations and liabilities thereunder (save for any antecedent breach).

Completion

Subject to the fulfilment or waiver (as the case may be) of the conditions precedent set out in the Sale and Purchase Agreement, Completion shall take place on the Completion Date.

Upon Completion, (i) the financial results of the Target Company will not be consolidated into the Company; and (ii) Vendor A will become a Substantial Shareholder of the Company, holding approximately 12.10% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

EFFECT OF THE ACQUISITION ON THE SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Consideration Shares:

	(i) As at the date of this announcement		(ii) Immediately after the allotment and issue of the Consideration Shares	
	No. of Shares	approx.%	No. of Shares	approx.%
Infinite Force Holdings Ltd. (Note)	180,800,000	18.08%	180,800,000	15.16%
Vendor A	—	—	144,230,769	12.10%
Vendor B	—	—	48,076,923	4.03%
Other public Shareholders	<u>819,200,000</u>	<u>81.92%</u>	<u>819,200,000</u>	<u>68.71%</u>
Total	<u>1,000,000,000</u>	<u>100.00%</u>	<u>1,192,307,692</u>	<u>100.00%</u>

Note: Infinite Force Holdings Ltd., a company incorporated in the BVI on 18 October 2016 and an investment holding company, is wholly and beneficially owned by Mr. Li Wai Keung who is the chairman and an executive Director of the Company. Therefore, Mr. Li Wai Keung is deemed to be interested in the 180,800,000 Shares held by Infinite Force Holdings Ltd. by virtue of his 100% shareholding interest in Infinite Force Holdings Ltd.

INFORMATION OF THE TARGET GROUP

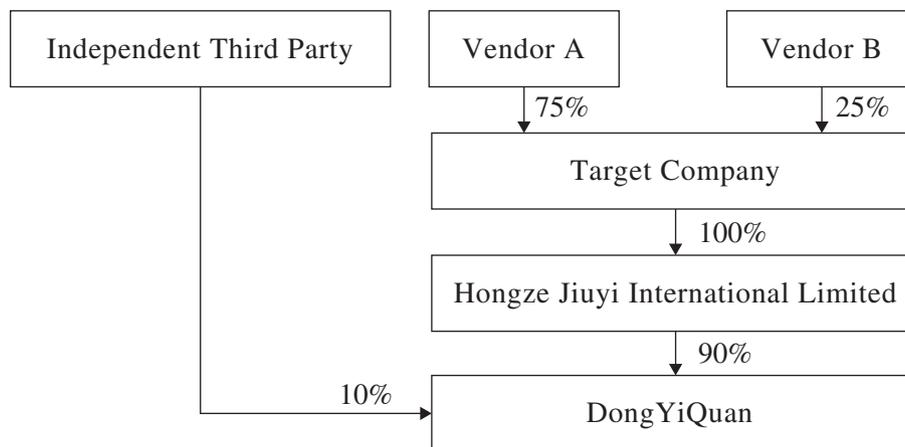
The Target Company is an investment holding company incorporated in the BVI with limited liability. The Target Company owns the entire issued share capital of Hongze Jiuyi International Limited (鴻澤久義國際有限公司), which is an investment holding company incorporated in Hong Kong with limited liability. As at the date of this announcement, Hongze Jiuyi International Limited has an issued share capital of HK\$10,000.

Hongze Jiuyi International Limited holds 90% equity interest in DongYiQuan which is the principal operating company of the Target Group. DongYiQuan is a company established in the PRC with limited liability. As at the date of this announcement, DongYiQuan has a registered capital of RMB10,000,000. DongYiQuan is a high-tech enterprise focusing on the development and application of smart health care industry solutions. It is principally engaged in the provision of smart health care products and service systems with a vision of “cloud platform, smart hardware and smart service”.

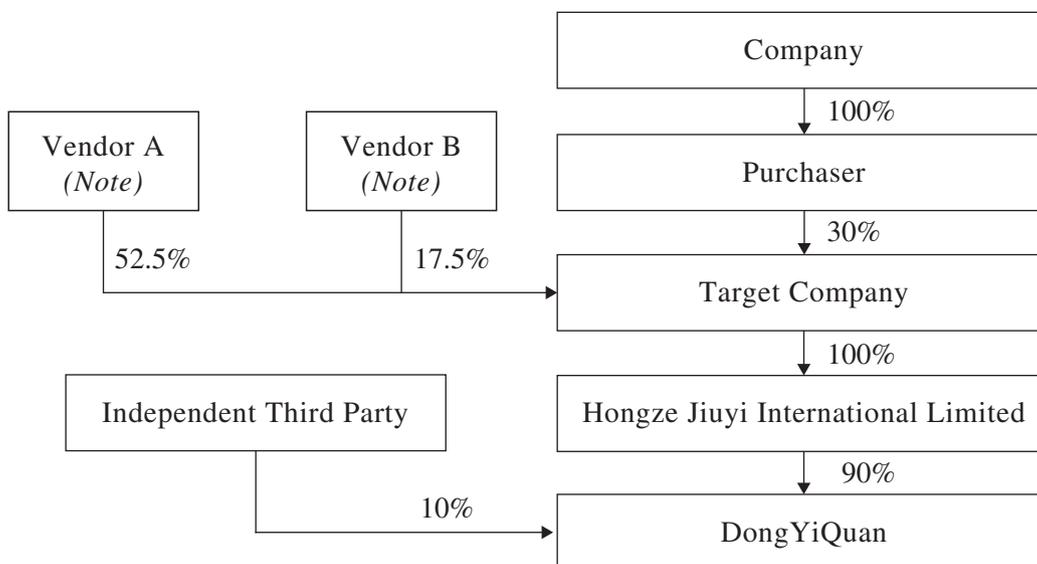
SHAREHOLDING STRUCTURE OF THE TARGET GROUP

Set out below is the shareholding structure of the Target Group:

Immediately prior to Completion



Immediately after Completion



Note: Upon Completion, Vendor A and Vendor B will hold approximately 12.10% and 4.03% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, respectively. Accordingly, Vendor A will become a Substantial Shareholder, thus a Connected Person of the Company.

Financial information of the Target Group

The Target Company and Hongze Jiuyi International Limited do not carry on any business other than holding indirectly or directly (as the case may be) the 90% equity interest in DongYiQuan. DongYiQuan is principally engaged in the development and application of smart elderly care solutions in the PRC.

Set out below is the summary of the audited financial figures of DongYiQuan for the financial year ended 31 December 2020 and 2021, respectively:

	For the year ended 31 December 2021 <i>(RMB'000)</i>	For the year ended 31 December 2020 <i>(RMB'000)</i>
Revenue	6,117.5	3,061.8
Profit before tax	1,951.0	650.8
Profit after tax	1,933.9	650.8
		As at 31 December 2021 <i>(RMB'000)</i>
Net assets		5,718.6

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is an investment holding company mainly engaged in the design, marketing, distribution and retail sale of toys and related products.

Whilst remaining focused on developing its existing businesses, the Group has been exploring potential investment opportunities from time to time in order to broaden its profit source and eventually optimise the returns to the Shareholders. Meanwhile, the Board is eyeing on an increasing prevalence of smart home technology and rising public awareness of elderly care in the PRC. Particularly, the PRC government's fourteenth five-year plan for 2021–2025 has stressed the importance of developing smart elderly care services and favourable policies are being promulgated to foster the application of advanced technology into enhancing senior-friendly products and services.

The Target Group is principally engaged in the development and application of smart elderly care solutions in the PRC through its principal operating company, DongYiQuan. DongYiQuan provides a wide array of smart elderly care services and products, including (i) customisation and operation of health care big data management platforms for governmental bodies, elderly care centres and households with multi-functional analytical purposes; and (ii) development and sale of smart devices, such as sensor-based alarm

systems and remote health conditions monitoring equipment. Since its establishment in 2015, DongYiQuan has cumulated solid clientele including local government agencies, hospitals, wellness centres, as well as individual households. After review of the business and financial information of DongYiQuan, the Directors are satisfied with the financial performance of the Target Group and are optimistic about its prospects. Further, the Directors consider that it is in line with the Group's investment objective by riding on the upside potential of the smart elderly care service sector and investing in the Target Group.

Based on the above, the Directors are of the view that the terms of the Sale and Purchase Agreement and the Acquisition are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as calculated in accordance with Rule 19.07 of the GEM Listing Rules) are more than 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under the GEM Listing Rules.

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

DEFINITIONS

In this announcement, unless the context otherwise requires, capitalized terms used shall have the following meanings:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendors pursuant to the Sale and Purchase Agreement;
“Board”	the board of Directors;
“BVI”	British Virgin Islands;
“Company”	Amuse Group Holding Limited (stock code: 8545), a company incorporated in the Cayman Islands with limited liability whose shares are listed on GEM of the Stock Exchange;
“Completion”	Completion of the Acquisition;

“Completion Date”	the date on which Completion takes place, which shall be any business day falling within ten business days after satisfaction and/or fulfilment and/or waiver (as the case may be) of all the conditions precedent (or such other date as shall be agreed in writing between the parties pursuant to the Sale and Purchase Agreement;
“Connected Person(s)”	has the meaning ascribed to it under the GEM Listing Rules;
“Consideration”	HK\$10,000,000, being the total consideration for the Acquisition;
“Consideration Share(s)”	192,307,692 new Shares to be allotted and issued by the Company free from any encumbrance at the issue price of HK\$0.052 per each such new Share;
“Director(s)”	the director(s) of the Company;
“DongYiQuan”	Guangzhou Mobile Medical Circle Network Technology Co., Ltd.* (廣州動醫圈網絡科技有限公司), a company established in the PRC with limited liability and the principal operating company of the Target Group;
“GEM”	the GEM of the Stock Exchange;
“GEM Listing Committee”	the listing committee of the GEM, which has the meaning ascribed to it under the GEM Listing Rules;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange;
“General Mandate”	The general mandate granted to the Directors by the Shareholders at the annual general meeting on 13 August 2021 to allot, issue and otherwise deal with up to 20% of the issued share capital of the Company as at the date of the annual general meeting;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

“Independent Third Party(ies)”	a third party independent of and not connected with the Company, its subsidiaries and their Connected Persons;
“Issue Price”	HK\$0.052 per Consideration Share;
“MOU”	The memorandum of understanding entered into between the Vendors and the Purchaser on 31 December 2021 in relation to the possible acquisition of the Sale Shares;
“PRC”	People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Purchaser”	Amuse Luck Limited (佰好有限公司), a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 25 April 2022 entered into between the Purchaser and the Vendors in relation to the Acquisition;
“Sale Share(s)”	30% of the issued share capital of the Target Company;
“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;
“Substantial Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules;
“Target Company”	DongYiQuan Network Technology Co., Ltd, an investment holding company incorporated in the BVI with limited liability;
“Target Group”	the Target Company and its subsidiaries;
“Valuation”	the independent valuation on the entire equity interest in DongYiQuan carried out by the Valuer;
“Valuer”	Masterpiece Valuation Advisory Limited, an independent valuer engaged by the Company to carry out the Valuation;

“Vendor A”	Chu Guigui* (褚桂桂), a PRC citizen who holds 75% of the issued share capital in the Target Company prior to the Acquisition;
“Vendor B”	Zhu Rongzheng* (朱榮政), a PRC citizen who holds 25% of the issued share capital in the Target Company prior to the Acquisition;
“Vendors”	Vendor A and Vendor B; and
“%”	Per cent.

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

Hong Kong, 25 April 2022

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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

* For identification purpose only