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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)

**(1) SUPPLEMENTAL ANNOUNCEMENT REGARDING
THE DISCLOSEABLE TRANSACTION IN RELATION
TO THE ACQUISITION OF APPROXIMATELY 45.00% OF
THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY
(2) COMPLETION OF THE DISCLOSEABLE TRANSACTION**

Reference is made to the announcement of Amuse Group Holding Limited (the “**Company**”) dated 10 October 2022 (the “**Announcement**”) in relation to a discloseable transaction relating to the proposed acquisition of approximately 45.00% of the issued share capital of the Target Company. Terms used herein shall have the same meanings as defined in the Announcement unless otherwise stated.

The Company wishes to provide the following supplemental information in relation to the Acquisition.

THE VALUATION

The independent professional valuer, BMI Appraisals Limited (the “**Valuer**”), has considered the appropriateness of three generally accepted valuation approaches in the course of the Valuation, including the market approach, the cost approach and the income approach.

In selecting the appropriate valuation approach, the Valuer has taken into consideration, among others, the quantity and quality of the information provided, access to available data, supply of relevant market transactions, type and nature of the subject asset, purpose and objective of the Valuation and professional judgment and technical expertise.

The market approach was not adopted by the Valuer in the Valuation as it relies generally on deriving value through a measure of the values of industry comparables or market transactions. Given the characteristics of the Target Company, the Valuer noted that there was a lack of industry comparables or market transactions as at the date of valuation to derive an indicative value of the Target Company with sufficient level of accuracy. Accordingly, the Valuer did not adopt the market approach.

The cost approach was also not adopted by the Valuer in the Valuation as the cost approach generally takes into account the replication cost, which represents the amount of investment that would be required to develop an asset similar to the Target Company. The Valuer is of the view that the replication cost of the Target Company is not likely to represent the value of the Target Company.

The Valuer considered the income approach being the most appropriate valuation approach as it takes into account the future growth potential and firm-specific issues of the Target Company. Under the income approach, the discounted cash flow method was adopted and the Valuation was calculated based on the present value of the expected cash flows, which in the opinion of the Valuer was the most appropriate valuation approach for the Target Company.

MAJOR INPUTS AND ASSUMPTIONS CONSIDERED BY THE VALUER

In conducting the Valuation, the Valuer has adopted the following major inputs and assumptions including, among others:

(a) General market assumptions

- There will be no material change in the existing political, legal, fiscal, technological, economic and market conditions in the jurisdiction where the Target Company is currently or will be situated;
- There will be no material change in the taxation laws and regulations in the jurisdiction where the Target Company is currently or will be situated, that the tax rates will remain unchanged and that all applicable laws and regulations will be complied with;
- The market return, market risk, interest rates and exchange rates will not differ materially from those of present or expected;
- The supply and demand, both domestically and internationally, of the products and/or services of the Target Company or similar products and/or services will not differ materially from those of present or expected;

- The market prices and the relevant costs, both domestically and internationally, of the products and/or services of the Target Company or similar products and/or services will not differ materially from those of present or expected;
- The products and/or services of the Target Company or similar products and/or services are marketable and liquid, that there are active markets for the exchange of the products and/or services of the Target Company or similar products and/or services; and
- The market data, industry information and statistical figures obtained from publicly available sources are true and accurate.

(b) Company-specific assumptions

- All licenses, permits, certificates and consents issued by any local, provincial or national government or other authorized entity or organization that will affect the operation of the Target Company have been obtained or can be obtained upon request with an immaterial cost;
- The core operation of the Target Company will not differ materially from those of present or expected;
- The financial and operational information in respect of the Target Company have been prepared on a reasonable basis that have been arrived at after due and careful consideration by the senior management of the Company;
- The Target Company currently has, or will have, adequate human capital and capacity required for the production and/or provision of the products and/or services of the Target Company, and the required human capital and capacity will be acquired in a timely manner that will not affect the operation of the Target Company;
- The Target Company has acquired, or will acquire, adequate financial capital for the investments in projected capital expenditure and working capital from time to time, and any scheduled interest or repayment of loan and payable will be paid on time;
- The senior management of the Target Company will implement only those prospective financial and operational strategies that will maximize the efficiency of the operation of the Target Company;
- The senior management of the Target Company has sufficient knowledge and experience in respect of the operation of the Target Company, and the turnover of any director, management or key person will not affect the operation of the Target Company;

- The senior management of the Target Company has adopted reasonable and appropriate contingency measures against any human disruption such as fraud, corruption and strike, and the occurrence of any human disruption will not affect the operation of the Target Company; and
- The senior management of the Target Company has adopted reasonable and appropriate contingency measures against any natural disaster such as fire, flood and hurricane, and the occurrence of any natural disaster will not affect the operation of the Target Company.

The Board considered that the major inputs and assumptions adopted by the Valuer in the Valuation are fair and reasonable, taking into consideration, among others, (i) the principal businesses and operation of the Target Company; (ii) the major risks relating to the business and industry of the Target Company; and (iii) the inputs and assumptions generally adopted by valuers in the valuation of companies similar to the Target Company.

BUSINESS OPERATION OF THE TARGET COMPANY

The Target Company was incorporated in 2003. Since 2006, the Target Company has been providing information technology solutions services to its customers. In the financial year ended 31 December 2020 (“FY2020”), the Target Company mainly focused on the supply and resale of equipment, such as reselling of IT equipment and accessories. Meanwhile, in the financial year ended 31 December 2021 (“FY2021”), the Target Company has placed greater emphasis on providing higher value-added services such as infrastructure solution and system and security solution, with particular strengths in providing implementation, configuration and maintenance services for network solutions, wireless solutions, smart office/Internet-of-thing solutions and network security solutions. As at 30 September 2022, the Target Company possessed four staff.

The revenue of the Target Company decreased from approximately HK\$4.3 million for FY2020 to approximately HK\$3.4 million for FY2021; while its profit after taxation increased from approximately HK\$0.1 million for FY2020 to approximately HK\$1.2 million for FY2021, which was mainly attributable to the Target Company’s greater focus on providing higher value-added services, such as infrastructure solution and system and security solution, in FY2021 as discussed in the paragraph above. As compared to supply and resale of equipment, the Target Company was able to charge a higher gross profit margin for the provision of higher value-added services mainly due to the use of advanced technology and the complexity and technical know-how involved, which generated higher profit for the Target Company.

As aforementioned, the Target Company mainly focused on the supply and resale of equipment, such as reselling of IT equipment and accessories in FY2020. The higher revenue recorded by the Target Company for FY2020 was mainly due to the fact that the value of the IT equipment and accessories supplied by the Target Company was factored in

the sales amount of the Target Company. In comparison, a major portion of the revenue generated by the Target Company for FY2021 was attributable to service income from the provision of higher value added services, which generally do not involve the supply of equipment in the service package.

BASIS OF THE CONSIDERATION

In assessing the reasonableness of the Consideration, the Board has taken into account the following considerations:

- The historical financial performance of the Target Company, including its financial position, profitability and growth. In particular, the Board noted a remarkable improvement in the financial performance of the Target Company with its profit after taxation having increased from approximately HK\$0.1 million for FY2020 to approximately HK\$1.2 million for FY2021;
- The Target Company possesses a team of experienced staff with extensive industry knowledge and equipped with technical know-how to provide up-to-date services to its customers. The staff of the Target Company possess qualifications and accreditations from various key software and hardware service providers. These qualifications and accreditations provide assurance to clients on the technical expertise of the personnel in providing advice and solutions on the relevant software and hardware;
- The Target Company has a diversified customer base and a solid track record in the information technology industry. In FY2021, the Target Company has 29 customers, including numerous sizeable customers such as (i) renowned hotels including a five-star hotel in Tsim Sha Tsui and a well-known hotel in Ma Wan; (ii) established property developers including a major construction and civil engineering company in Hong Kong and a construction contractor company in Hong Kong, being a subsidiary of a major Hong Kong property developer which is listed on the Main Board of the Stock Exchange; and (iii) a leading provider of information and communications technologies and telecommunications network services, being a subsidiary of a company listed on the Tokyo Stock Exchange. The Target Company also has performed a number of major projects to other customers in FY2021, including providing system switch implementation services for a bank in Hong Kong and providing system maintenance services to a government department in Hong Kong;
- The Board has reviewed the nature and future prospects of the business engaged by the Target Company. The Board noted that the Target Company is mainly engaged in providing infrastructure solution and system and security solution, with particular strengths in providing implementation, configuration and maintenance services for network solutions, wireless solutions, smart office/Internet-of-thing solutions and network security solutions. The Board is confident in the positive prospects of the Target Company, as demonstrated by the favorable government policies promulgated

and/or expected to be promulgated by the government of Hong Kong and the PRC, including but not limited to the National 14th Five-Year Plan, Hong Kong's positioning in Hong Kong-Macao Greater Bay Area and the Northern Metropolis Development Strategy, which all strongly encourage the development in innovation and technology and provide stable and strong demand for the services provided by the Target Company;

- The Board has engaged the Valuer in conducting the Valuation on the Target Company and examined the valuation report, in particular, the industry overview, the valuation assumptions, the selection of suitable valuation approach and the valuation methodology.

Taking into consideration the above factors, the Board considers the Consideration to be fair and reasonable.

ACCOUNTING TREATMENT OF THE TARGET COMPANY UPON COMPLETION

Upon Completion, the Target Company will become an associate company of the Company and their results and net assets will be accounted for using the equity method in the consolidated financial statements of the Company after Completion.

COMPLETION

The Board is pleased to announce that the conditions precedent under the Sale and Purchase Agreement have been fulfilled and the Completion has already taken place as of the date of this announcement.

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

Hong Kong, 26 October 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. Chow Chi Ling Janice, Ms. Kwok Wai Ling and Mr. Cheng Pak Lam 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 and 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.