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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
PROPOSED ACQUISITION OF APPROXIMATELY 45.00%
OF THE ISSUED SHARE CAPITAL
OF THE TARGET COMPANY

THE ACQUISITION

The Board is pleased to announce that on 10 October 2022 (after trading hours), the Vendor and the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell to the Purchaser, and the Purchaser has conditionally agreed to purchase from the Vendor, the Sale Shares, representing approximately 45.00% of the issued share capital of the Target Company, at the Consideration of HK\$7,950,000 which will be satisfied by the payment of cash by the Purchaser to the Vendor (or her nominee) upon Completion.

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.

INTRODUCTION

The Board is pleased to announce that on 10 October 2022 (after trading hours), the Vendor and the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell to the Purchaser, and the Purchaser has conditionally agreed to purchase from the Vendor, the Sale Shares, representing approximately 45.00% of the issued share capital of the Target Company.

THE SALE AND PURCHASE AGREEMENT

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

Date

10 October 2022 (after trading hours)

Parties

Vendor: Cheng Pui Ling, holder of Hong Kong identity card, who holds the entire issued share capital in the Target Company prior to the Acquisition

Purchaser: Amuse Development Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company

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

Assets to be acquired

Pursuant to the terms of the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Shares. The Sale Shares, representing approximately 45.00% 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. After the Completion, the Purchaser and the Vendor will own 4,500 shares and 5,499 shares of the Target Company, respectively. Details of the Target Company are set out in the section headed "Financial information of the Target Company" below.

Consideration

The Consideration of HK\$7,950,000 shall be satisfied by the payment of cash by the Purchaser to the Vendor (or her nominee) upon Completion.

Basis of Consideration

The Consideration was determined after arm's length negotiations between the Company and the Vendor on normal commercial terms after taking into account (i) the historical financial performance of the Target Company for the two financial years ended 31 December 2020 and 31 December 2021; (ii) the business overview and outlook of the Target Company; (iii) the Company's assessment on the potential business development and prospect of the information technology industry in Hong Kong as described under the paragraph headed "Reasons for and benefits of the Acquisition" below; and (iv) valuation of the approximately 45.00% of issued share capital of the Target Company of approximately HK\$8,200,000 as assessed by an independent professional valuer.

In order to assess the fairness and reasonableness of the Consideration, the Company engaged an independent professional valuer, to conduct the valuation on the market value of the approximately 45.00% of issued share capital of the Target Company using income approach as at 30 September 2022.

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 exercise (whether on legal, accounting, financial, operational, properties or other aspects that the Purchaser may consider necessary) on the Target Company and its assets, liabilities, activities, operations, prospects and other status which the Purchaser, its agents or professional advisers think reasonably necessary and appropriate to conduct;
- (ii) (if applicable) the receipt from the Vendor of all such waivers, consents or other documents as the Purchaser may require in relation to the completion of the transactions contemplated under the Sale and Purchase Agreement;
- (iii) there is no material adverse change or prospective material adverse change in the Target Company's business, operations, financial conditions or prospects taken as a whole since the date of the Sale and Purchase Agreement; and
- (iv) the Purchaser being satisfied that, from the date of the Sale and Purchase Agreement and at any time before the Completion, that the Vendor's warranties remain true, accurate and not misleading and that no events have occurred that would result in any breach of any of the Vendor's warranties or other provisions of the Sale and Purchase Agreement by the Vendor.

Save that the Purchaser is entitled to waive by written notice conditions (i), (iii) and (iv) set out above, all the other conditions precedent are 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 six months from the date of the Sale and Purchase Agreement (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, the financial results of the Target Company will not be consolidated into the Company.

THE SHAREHOLDERS' AGREEMENT

Subject to and upon Completion, the Vendor and the Purchaser will enter into the Shareholders' Agreement to regulate their participation in the Target Company.

The principal terms of the Shareholders' Agreement are set out as follows:

Parties to the Shareholders' Agreement

- (1) the Vendor; and
- (2) the Purchaser

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor is an Independent Third Party.

Transfer of shares in the Target Company

During the period of 12 months from the Completion Date, the Vendor shall, before agreeing to dispose any of her Remaining Shares, make a written notice to the Purchaser (the "**Transfer Notice**") indicating the intent to transfer her shares in the Target Company (the "**Target Sale Shares**") to a third party and to offer to transfer, as beneficial owner, such Target Sale Shares to the Purchaser with a desired price (the "**Desired Price**").

If none of the Target Sale Shares are accepted by the Purchaser within the specified period, then, subject to the Tag Along Option exercisable by the Purchaser, the Vendor may transfer the Target Sale Shares to any person other than the Purchaser at a price which is not less than the Desired Price, and on terms which are no more advantageous than those offered to the Purchaser.

In the event that none of the Target Sale Shares are accepted by the Purchaser and the Target Sale Shares are to be sold to a third party, the Purchaser may exercise the Tag Along Option, requiring the Vendor to ensure that the Purchaser has the right to sell all or part of its shares in the Target Company to the third party making the offer to the Vendor on the same terms and conditions.

Board representation

As long as the Purchaser remains as a beneficial owner of any of the share(s) in the Target Company, the Vendor agrees that, in any and all election of directors of the Target Company, she shall vote all her shares in the Target Company now or hereafter owned, to cause and maintain the election of at least one director of the Target Company as shall be appointed by the Purchaser.

Other rights under the Shareholders' Agreement

The Shareholders' Agreement provides for, among others, (i) the Purchaser's access right to information of the Target Company; and (ii) a list of reserved matters requiring unanimous consent of all directors of the Target Company.

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 expanding into the information technology industry, taking into consideration the favorable policies promulgated and expected to be promulgated by the government of Hong Kong and the PRC. The National 14th Five-Year Plan targets to develop the Guangdong-Hong Kong-Macao Greater Bay Area into an international centre for science and technology innovation and the PRC government demonstrated its clear support for Hong Kong to develop into an international centre for innovation. In particular, President Xi made the remarks in June 2022 that under the support of the central government, Hong Kong has leveraged its own advantages to make remarkable achievements in basic research, talent cultivation and development in the innovation and technology sector. The Northern Metropolis Development Strategy, as proposed in the 2021 Chief Executive Policy Address, will be implemented to accelerate Hong Kong's innovation and technology development and deepen its collaboration with Shenzhen.

The Target Company is a company incorporated in Hong Kong with limited liability. It is principally engaged in the provision of information technology solutions to customers, including (i) infrastructure solution such as network and data center; (ii) system and security solution such as application server and system security; and (iii) equipment

reselling service. The Target Company has a diversified customer base, including renowned hotels, property developers and the government of Hong Kong. After review of the business and financial information of the Target Company, the Directors are satisfied with the financial performance 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 and investing in the Target Company.

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.

Financial information of the Target Company

Set out below is the financial information of the Target Company as extracted from its audited financial statements prepared in accordance with the Hong Kong accounting standards for the two years ended 31 December 2020 and 31 December 2021:

	For the year ended 31 December	
	2021	2020
	<i>HK\$</i>	<i>HK\$</i>
	<i>(audited)</i>	<i>(audited)</i>
Revenue	3,382,312	4,312,972
Profit/(Loss) before taxation	1,340,155	120,415
Profit/(Loss) after taxation	1,229,592	120,360
Net assets	2,678,819	1,449,227

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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 Vendor 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 three 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\$7,950,000, being the total consideration for the Acquisition;
“Director(s)”	the director(s) of the Company;
“GEM”	the GEM of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

“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;
“PRC”	Peoples’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Purchaser”	Amuse Development Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company;
“Remaining Shares”	such number of shares of the Target Company as may be held by the Vendor at any time following the Completion Date;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 10 October 2022 entered into between the Purchaser and the Vendor in relation to the Acquisition;
“Sale Share(s)”	4,900 shares, representing approximately 45.00% 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;
“Shareholders’ Agreement”	the shareholders’ agreement in relation to the terms regulating participation in the Target Company to be entered into between the Vendor and the Purchaser upon Completion;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tag Along Option”	the option exercisable by the Purchaser to require the Vendor to ensure that the Purchaser has the right to sell all or part of its shares in the Target Company to the third party making the offer to the Vendor on the same terms and conditions;

“Target Company”	M.I.P. International Limited, a company incorporated in Hong Kong with limited liability;
“Valuation”	the independent valuation on the approximately 45.00% of issued share capital of the Target Company carried out by an independent professional valuer;
“Vendor”	Cheng Pui Ling (鄭佩玲), holder of Hong Kong identity card, who holds the entire issued share capital in the Target Company prior to the Acquisition; and
“%”	Per cent.

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

Hong Kong, 10 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.