

20 August 2025

*To: the independent board committee and the Independent Shareholders of  
Amuse Group Holding Limited*

Dear Sirs/Madams,

## **MAJOR AND CONNECTED TRANSACTION DISPOSAL OF PROPERTY**

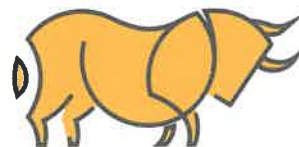
### **INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Disposal and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 20 August 2025 (the “**Circular**”), of which this letter forms part. Capitalised terms in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 17 June 2025 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Property at the Consideration of HK\$12.7 million. On 7 August 2025 (after trading hours), the Vendor and the Purchaser entered into the Supplemental Sale and Purchase Agreement to amend certain terms of the Sale and Purchase Agreement.

### **GEM LISTING RULES IMPLICATIONS**

The Purchaser is wholly-owned by Mr. Li, who is the chairman of the Board, an executive Director and the chief executive officer of the Company. As such, under Chapter 20 of the GEM Listing Rules, the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction for the Company.



In addition, as one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major disposal of the Company under Chapter 19 of the GEM Listing Rules, and is subject to reporting, announcement and Independent Shareholders' approval requirements under the GEM Listing Rules.

Mr. Li did and will abstain from voting on the relevant board resolution(s) of the Company in view of his interest in the Disposal by virtue of his interests and/or relationships with the Purchaser. Save for the aforesaid, no other Director has a material interest or conflict of role in the Disposal or has abstained from voting on the relevant board resolution(s).

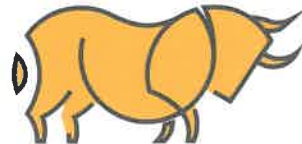
### **THE INDEPENDENT BOARD COMMITTEE**

Pursuant to Rule 20.37 of the GEM Listing Rules, an Independent Board Committee comprising all independent non-executive Directors, namely, Mr. Yu Pui Hang, Ms. Chow Chi Ling Janice and Mr. Tung Man, has been established by the Company to advise the Independent Shareholders in respect of the terms of the Disposal and the transactions contemplated thereunder. We, Grande Capital Limited, have been appointed as an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Disposal and the transactions contemplated thereunder are fair and reasonable, are on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole; and (ii) whether the Independent Shareholders should vote in favour of the Disposal.

### **OUR INDEPENDENCE**

Save for this appointment as the Independent Financial Adviser in respect of the terms of the Disposal and the transactions contemplated thereunder, there was no other engagement between the Company and us in the past two years.

As at the Latest Practicable Date, we were not aware of any relationships or interest between Grande Capital Limited and the Company, its subsidiaries and any other parties that could reasonably be regarded as 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 terms of the Disposal and the transactions contemplated thereunder. We are not associated or connected with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of the existence of or change in any



circumstances that would affect our independence. Grande Capital Limited has not acted as a financial adviser to the Company in the last two years. Accordingly, we consider that we are eligible to give independent advice on the terms of the Disposal and the transactions contemplated thereunder.

## **BASIS OF OUR OPINION**

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely and wholly responsible, were true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information has been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Directors and the management of the Company. We believe that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular, which includes particular 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 the Circular is accurate and complete in all materials respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading.

This letter is issued for the provision of the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Disposal and the transactions contemplated thereunder, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

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



## 1. Information of the Group

The Company is an investment holding company and was incorporated in the Cayman Islands with limited liability. The Group is principally engaged in design, marketing, distribution and retail sales of toys and related products, and provision of agency services.

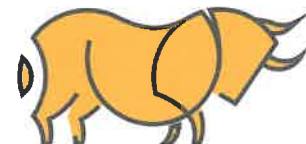
Set out below a summary of the audited financial results of the Group for the year ended 31 March 2024 (“FY2024”) and 31 March 2025 (“FY2025”) as extracted from the annual report of the Company for the year ended 31 March 2025 (the “2025 Annual Report”).

	For the year ended	
	31 March	
	2025	2024
	HK\$'000	HK\$'000
Revenue	143,140	219,190
Gross profit	26,997	37,838
Administrative expenses	(23,103)	(27,650)
(Loss)/profit before taxation	(1,541)	1,530
(Loss)/profit and total comprehensive (expense)/income for the year attributable to equity holders of the Company	(2,111)	486

According to 2025 Annual Report, the revenue of the Group decreased by approximately 34.7% from FY2024 to FY2025. The decrease in the Group's revenue was mainly due to the significant decrease in sales of all toys business. In particular, the sales of the original designed manufacturer (“ODM”) toys and sales of own licensed toys and related products decreased by 46.5% and 40.4%, respectively, during FY2025 as compared to FY2024, and these two sales business segments accounted for approximately 58.4% of the Group's revenue.

As a result of the decrease in revenue, the gross profit of the Group decreased by approximately 28.7% from FY2024 to FY2025. The less-than-proportionate decrease in the gross profit during FY2025, as compared to FY2024, was mainly due to the improvement in the gross profit margin of the Group from approximately 9.2% during FY2024 to approximately 18.9% during FY2025. In particular, the gross profit margin of the sales of ODM toys increased from approximately 7.3% during FY2024 to approximately 11.6% during FY2025 as the market is shifting toward low order quantities with high profit margins but lower overall revenue.

The Group recorded net loss of approximately HK\$2.1 million during FY2025, as compared to net profit of approximately HK\$0.5 million during FY2024. Such decrease was mainly due to the decrease in revenue and gross profit as discussed above and the recognition of impairment loss on interest in an associate of approximately HK\$4.5 million during FY2025.



## **2. Information of the Vendor**

The Vendor, Bestone Creative Development Limited (盈天創意發展有限公司), is a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company. The Vendor is principally engaged in design and sale of toys and related products.

## **3. Information of the Purchaser**

The Purchaser, Niken Investment Co. Limited (中壢投資有限公司), is a limited liability company incorporated in Hong Kong and principally engaged in investment holding. The Purchaser is directly wholly-owned by Mr. Li, who is the chairman of the Board, an executive Director and the chief executive officer of the Company.

## **4. Information on the Property**

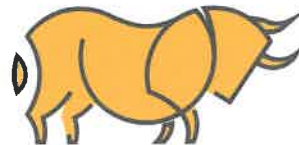
The Property is a private residential unit for domestic use situated at Flat C on 59th Floor of Tower 2, The Dynasty, No. 18 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong, with a saleable area of approximately 728 sq. ft.. According to the Valuation Reports, the market value of the Property was HK\$12.7 million as at 30 April 2025 and 31 May 2025.

The Property has been held by the Group as Director's quarters since its acquisition, until recently when it was leased out for rental income. Therefore, there was no revenue generated from, or net profit attributable to, the Property for the two latest financial years immediately preceding the Disposal. The Property will be sold to the Purchaser with the existing tenancy.

## **5. Reasons for and benefits of the Disposal**

The Company is an investment holding company and the Group is principally engaged in design, marketing, distribution, retail sales of toys and related products and provision of agency services.

As set out in the Letter from the Board, the Board considers that the prospect of Hong Kong real estate market is deteriorating. According to recent data from Rating and Valuation Department, Hong Kong home prices halted their rebound trend over the last quarter of 2024, recording a 7.2% year-on-year decrease by December 2024. We noted from the Rating and Valuation Department of Hong Kong that the private domestic prices for small and medium units (with a saleable area of less than 100 square metres) in Hong Kong decreased by 8.2% in the fourth quarter of 2024 from that of the preceding year. It is also noted that the private domestic prices for small and medium units in Hong Kong in the last quarter of 2023 decreased by 7.2% over the corresponding quarter in 2022. According to the Rating and Valuation Department of Hong Kong, the price indices of private domestic further decreased in the first quarter of 2025 to a nearly nine-year low. We consider that the prospect of the real estate market remains uncertain in the future.



The Board is of the opinion that the Disposal represents a good opportunity for the Group to realise the value of the Property at a reasonable price in order to (i) lower the risk of capital depreciation of the Property to the Group; and (ii) reallocate the net proceeds from the Disposal for general working capital of the Group.

The terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Sale and Purchase Agreement) were arrived at after arm's length negotiation between the Vendor and the Purchaser. Based on the foregoing, the Directors consider that the terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Sale and Purchase Agreement) are on normal commercial terms, which are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

According to the annual report of the Company for the year ended 31 March 2025 published on 27 June 2025, the audited carrying value of the Property as at 31 March 2025 was approximately HK\$5.5 million. Based on the Consideration of HK\$12.7 million less the aforesaid carrying value of the Property before any related expenses, the Group is expected to recognise a gain of approximately HK\$7.2 million from the Disposal. It is estimated that the net proceeds from the Disposal (after deduction of professional fees and ancillary expenses) would be approximately HK\$12.2 million. The Company intends to apply the net proceeds of approximately HK\$12.2 million from the Disposal for general working capital of the Group.

## **6. The Sale and Purchase Agreement**

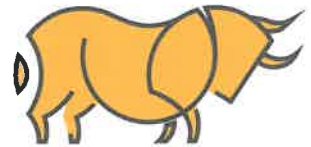
On 17 June 2025 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Property at the Consideration of HK\$12.7 million. On 7 August 2025 (after trading hours), the Vendor and the Purchaser entered into the Supplemental Sale and Purchase Agreement to amend certain terms of the Sale and Purchase Agreement.

### ***Subject matter***

Pursuant to the Sale and Purchase Agreement (as supplemented by the Supplemental Sale and Purchase Agreement), the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Property, which is located at Flat C on 59th Floor of Tower 2, The Dynasty, No. 18 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong. The Property is a private residential unit for domestic use with a saleable area of approximately 728 sq. ft..

### ***Consideration and payment terms***

The Consideration is HK\$12.7 million, which shall be payable by the Purchaser to the Vendor (or its nominee) in cash at Completion.



We noted that the Board is of the view that the payment terms of the Consideration provide full assurance that the Consideration will be received in full at the time of Completion, thereby eliminating any counterparty credit risk and enhancing the certainty and efficiency of fund recovery in connection with the Disposal, and therefore are in the interests of the Company and the Shareholders as a whole. We concur with the management and we are of the view that such payment terms are on normal commercial terms, which are fair and reasonable, and is in the interests of the Company and the Shareholders as a whole.

#### ***Basis of consideration***

The Consideration was arrived at arm's length negotiations between the parties on normal commercial terms with reference to (i) the valuation of the Property of HK\$12.7 million as at 30 April 2025 according to the First Valuation Report; and (ii) the prevailing market conditions of the Hong Kong real estate industry.

#### ***Conditions precedent***

The Completion is subject to the fulfilment (or waiver, where applicable) of the following conditions on or before the Long Stop Date:

- (a) the Vendor having proved the good title to the Property in accordance with Section 13 of the CPO and delivered to the Purchaser title deeds and documents in accordance with Section 13A of the CPO and the terms of the Sale and Purchase Agreement;
- (b) the passing of necessary resolution(s) by the Independent Shareholders at the EGM approving the Sale and Purchase Agreement (as supplemented by the Supplemental Sale and Purchase Agreement) and the transactions contemplated thereunder in accordance with Chapters 19 and 20 of the GEM Listing Rules;
- (c) all consents, approvals and clearances necessary or expedient for the entering into, delivery and performance of the transaction documents of the Disposal having been obtained; and
- (d) the warranties provided by the parties under the Sale and Purchase Agreement (as supplemented by the Supplemental Sale and Purchase Agreement) remaining true, accurate and not misleading at the Completion.

The Purchaser may in its absolute discretion waive either in whole or in part at any time by notice in writing to the Vendor any of the conditions precedent, except paragraphs (a) and (b) above which are not capable of being waived. As at the Latest Practicable Date, none of the conditions above has been fulfilled or waived.



If any of the conditions is not fulfilled or waived by the Purchaser (as the case may be) by the Long Stop Date, the Sale and Purchase Agreement (as supplemented by the Supplemental Sale and Purchase Agreement) and the transactions contemplated thereunder shall terminate automatically. Upon such termination, neither party shall have further obligations under the Sale and Purchase Agreement (as supplemented by the Supplemental Sale and Purchase Agreement), except for any rights that have accrued prior to termination or obligations that are expressly stated to survive termination, nor shall neither party be liable to the other solely by reason of such termination.

### ***Completion***

The Completion shall take place within ten (10) business days from the fulfilment (or waiver, as the case may be) of all the conditions precedent for the Sale and Purchase Agreement (as supplemented by the Supplemental Sale and Purchase Agreement).

### ***Independence of negotiation process***

The principal terms and conditions of the Sale and Purchase Agreement (as supplemented by the Supplemental Sale and Purchase Agreement) were arrived at arm's length negotiations between the parties on normal commercial terms. We understand from the Board that during the negotiation process, the Vendor was represented by Mr. To Hoi Pan, an executive Director, while the Purchaser was represented by Mr. Li. Although Mr. Li is the chairman of the Board and an executive Director, he did not participate in, or exert any control or influence over, the Company's decision-making process in relation to the Disposal. In addition, he abstained from voting on the relevant Board resolution(s) in connection with the Disposal. Having considered that (i) the Vendor was represented by Mr. To Hoi Pan, who is independent from Mr. Li; and (ii) Mr. Li had abstained from voting on the relevant Board resolution(s) in connection with the Disposal, we concur with the management that Mr. Li did not participate in, or exert any control or influence over, the Company's decision-making process in relation to the Disposal.

### ***Analysis on the Valuations of the Property***

In assessing the fairness and reasonableness of the valuations, we have reviewed the Valuation Reports and discussed with the Independent Valuer in relation to (i) their relevant professional qualifications as a property valuer; (ii) their scope of work for conducting the valuations; and (iii) the methodology and assumptions used in performing the valuations.

For our due diligence purpose, we have reviewed and enquired into the qualifications and experience of the Independent Valuer in relation to the preparation of the Valuation Reports. We understand that Mr. Paul Hung, the director of valuation and advisory services of the Independent Valuer and the signor of the Valuation Reports, is a Registered Surveyor of Royal Institution of Chartered Surveyors and has over 10 years



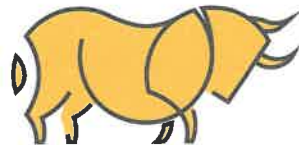
valuation experience in the Greater China Region. We have also obtained information on the Independent Valuer's track records on business and property valuations and noted that the Independent Valuer had been performing valuations for a wide range of companies listed on the Stock Exchange. As such, we are of the view that the Independent Valuer and Mr. Paul Hung are qualified, experienced and competent in performing business and property valuations and providing a reliable opinion in respect of the valuations of the Property.

We have also enquired with the Independent Valuer as to its independence from the Group and the parties to the Sale and Purchase Agreement (as supplemented by the Supplemental Sale and Purchase Agreement) and were given to understand that the Independent Valuer is an independent third party of the Group and its connected persons. The Independent Valuer also confirmed to us that it was not aware of any relationship or interest between itself and the Group or any other parties that would reasonably be considered to affect its independence to act as an independent valuer for the Company. The Independent Valuer confirmed to us that apart from normal professional fees payable to it in connection with their engagement for the valuations, they had no other engagement with the Company.

Furthermore, we noted from the engagement letter entered into between the Company and the Independent Valuer in respect of valuations for the Property, that the scope of work was appropriate for the Independent Valuer to form the opinions required to be given and there were no limitations on the scope of work which might adversely impact the degree of assurance given by the Independent Valuer.

According to the Valuation Reports, we understand that the Independent Valuer has adopted the market approach as valuation methodology. According to the International Valuation Standard, the market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. When reliable, verifiable and relevant market information is available, the market approach is the preferred valuation approach. We are of the view that as the Property is a residential property located in Hong Kong in which reliable, verifiable and relevant market information is available and therefore the adoption of market approach is appropriate.

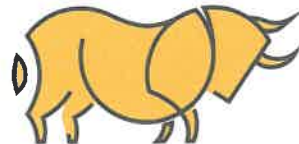
According to the Valuation Reports, we understand that the Independent Valuer has assumed that the owner sells the property on the open markets without any benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests. No allowance has been made in the valuation neither for any charges, mortgages or amounts owing on the property interests nor for any expenses, government rent or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free of encumbrances, restrictions and outgoings of an onerous nature which could affect their values. As advised by the Independent Valuer, we



understand that all the assumptions in the valuations are generally adopted in other valuations of similar properties and are necessary for the Independent Valuer to arrive at a reasonable estimated reference value of Property, and we have not found any material facts that may lead us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for or the information used in the valuations of Property. Accordingly, we consider that the adoption of the assumptions in the valuations for Property is fair and reasonable.

In arriving at the appraised market value of Property, the Independent Valuer has made reference to 6 asking or transactions occurred in April and May 2025 for properties located in the same residential estate of the Property (the “**Property Comparables**”). Adjustments have been considered for the differences in certain parameters, such as asking adjustment, internal layout and building quality, between the Property Comparables and the Property. We have obtained and reviewed the information source of the Property Comparables and the detailed calculation for the valuation.

In assessing the appropriateness of the 6 Property Comparables, we have enquired with the Independent Valuer the selection criteria and were given to understand that the Property Comparables were selected based on the following criteria (i) the properties are located in the same residential estate as the Property; (ii) the comparable asking or transactions were occurred in April and May 2025; and (iii) the unit rate of the underlying property of each Property Comparable has been properly adjusted by accounting for differences in characteristics and conditions between the Property and Property Comparables to reflect a reliable and fair assessment on the Property, in particular, the unit rate of the underlying property of Property Comparables of asking transactions were adjusted with 10% asking adjustment. We understand from the Independent Valuer that such asking adjustment is in line with normal market practice, as asking prices are generally set above actual transaction prices to allow room for negotiation. We have performed independent research on property valuation reports published by listed issuers and noted that the abovementioned downward adjustments on asking prices has been adopted by certain listed issuers. In determining the appropriate level of discount, the Independent Valuer considered the current downturn in Hong Kong’s real estate market. We noted from the Rating and Valuation Department of Hong Kong that the private domestic prices for small and medium units (with a saleable area of less than 100 square metres) in Hong Kong decreased by 8.2% in the fourth quarter of 2024 from that of the preceding year. According to the Rating and Valuation Department of Hong Kong, the price indices of private domestic further decreased in the first quarter of 2025 to a nearly nine-year low. We consider that the prospect of the real estate market remains uncertain in the future and the application of 10% discount to be appropriate under the circumstances. Having considered that (i) the Property Comparables are located in the same residential estate of the Property; (ii) the Property Comparables were all asking or transacted in April and May 2025, which is close to the valuation dates (i.e. 30 April



2025 and 31 May 2025); and (iii) adjustments have been appropriately made when assessing Property, we are therefore of the view that the aforesaid selection criteria of the Property Comparables is sufficient, reasonable and appropriate and the Property Comparables are comparable to Property.

The adjusted unit rate (in effective area basis) for the Property Comparables ranges from approximately HK\$16,702 per square feet to approximately HK\$18,566 per square feet. While the unit rate adopted to derive the Consideration of approximately HK\$17,500 per square feet lies within the range of those of the Property Comparables, we consider the valuations of the Property are a fair and reasonable reference for the determination of the Consideration.

Having considered that (i) the qualifications, experience and independence of the Independent Valuer in relation to the preparation of the Valuation Reports; (ii) the terms of engagement of the Independent Valuer with the Company for valuations of the Property; (iii) the methodology and assumption used by the Independent Valuer for the valuations of the Property; (iv) the appropriate selection of the Property Comparables; and (v) the Consideration lying within the adjusted range of those of the Property Comparables, we consider that the valuations of the Property are fair and reasonable.

## **7. Financial effects of the Disposals on the Group**

According to the annual report of the Company for the year ended 31 March 2025 published on 27 June 2025, the audited carrying value of the Property as at 31 March 2025 was approximately HK\$5.5 million. Based on the Consideration of HK\$12.7 million less the aforesaid carrying value of the Property before any related expenses, the Group is expected to recognise a gain of approximately HK\$7.2 million from the Disposal. It is estimated that the net proceeds from the Disposal (after deduction of professional fees and ancillary expenses) would be approximately HK\$12.2 million.

The financial effect of the Disposal as set out above is presented for illustrative purpose only and is subject to change upon Completion, review and final audit by the auditors of the Company.

The Company intends to apply the net proceeds of approximately HK\$12.2 million from the Disposal for general working capital of the Group. As at the Latest Practicable Date, the Company has not identified any specific plan for the utilisation of the net proceeds. The Company will closely monitor its business operations and financial needs, and the proceeds will be deployed as and when appropriate to support the Group's operational requirements and or any business opportunities that may arise.



## RECOMMENDATION

Having taken into account the principal factors and reasons discussed above, we are of the view that (i) the terms of the Disposal are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Disposal is not in the ordinary course of business of the Group, and as discussed in this letter, the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders to vote in favour of the relevant resolution(s) for approving the Disposal.

Yours faithfully,  
For and on behalf of  
**Grande Capital Limited**

**Cynthia Chan**  
*Associate Director*

*Ms. Cynthia Chan is licensed under the Securities and Futures Ordinance to carry on Type 6 (advising on corporate finance) regulated activity and is currently a responsible officer of Grande Capital Limited. Ms. Chan has over 9 years of experience in the corporate finance industry.*