ALLEGRO CULTURE LIMITED
律齊文化有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock code: 550)

DISCLOSEABLE TRANSACTION
DISPOSAL OF EQUITY INTEREST IN THE TARGET COMPANY

THE DISPOSAL

The Company entered into the Disposal Agreement with the Purchaser and the Target Company, pursuant to which the Company has agreed to sell, and the Purchaser has agreed to acquire, the Sale Shares, which represent 40.13% of the equity interest in the Target Company, at a cash consideration of HK$9,950,000.

Upon Completion, the Group will cease to hold any equity interest in the Target Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Reference is made to the announcements of the Company dated 3 April 2023 and 17 April 2023 in relation to the subscription of new shares in the Target Company, and the announcement of the Company dated 24 June 2024 in relation to, among others, writ of summons filed by the Company (collectively the "**Announcements**"). Capitalised terms used herein shall have the same meanings as defined in the Announcements unless otherwise defined.

THE DISPOSAL

The Board is pleased to announce that on 7 May 2025 (after trading hours), the Company entered into the Disposal Agreement with the Purchaser and the Target Company, pursuant to which the Company has agreed to sell, and the Purchaser has agreed to acquire, the Sale Shares, which represent 40.13% of the equity interest in the Target Company, at a cash consideration of HK$9,950,000, while the Target Company shall procure the consent of the other shareholders of the Target Company to the sale and purchase of the Sale Shares, and acknowledges the settlement of the claims between the Company and the Target Company. Upon Completion, the Group ceased to hold any equity interest in the Target Company.

The principal terms of the Disposal Agreement are set out below:

Date:	7 May 2025
Vendor:	The Company
Purchaser:	Sino Agile Global Limited (中敏環球有限公司), a company incorporated in the British Virgin Islands with limited liability. It is ultimately owned by Mr. Wang.
Subject Matter:	The subject under the Disposal Agreement is the 40.13% equity interest in the Target Company as held by the Company.
Other Matter:	In consideration of the procurement by the Target Company of the Purchaser to take up the Sale Shares, the full payment of the Consideration and subject to Completion having taken place, the Company as Vendor therefore releases and discharges the Target Company from all claims against the Target Company, including the legal actions that were taken by the Company to rescind the investment made against the Target Company.

Consideration

The Consideration of HK$9,950,000 under Disposal Agreement was to be paid on or before Completion, and has been fully paid as at the date of this announcement, by way of a cashier order.

Basis of the Consideration

The Consideration was negotiated between the Company and the Purchaser on an arm's length basis taking into account of, among others, (i) the financial and operation performance of the Target Group, (ii) the amount of funds that the Company has invested into the Target Company, (iii) the appraised value of the Sale Shares as appraised by an independent valuer, BonVision International Appraisals Limited (the "**Independent Valuer**"), as at 31 December 2024 (the "**Valuation Date**") prepared based on the asset approach and (iv) the benefit that may be brought to the parties by settling the dispute between the Company and the Target Company.

Valuation

An independent valuation has been conducted against the Target Company by the Independent Valuer, to assess the market value of the 40.13% equity interests of the Target Company as of the Valuation Date. The Independent Valuer issued the valuation report on the date of this announcement (the "**Valuation Report**").

The Independent Valuer has considered the three generally accepted approaches, namely the market approach, income approach and asset approach. The market approach was not adopted in this case because most of the important assumptions of the comparable transactions, such as discount or premium on the transaction prices or considerations, were unavailable, and there were no comparable companies in similar stage of operation. The income approach was also not adopted since the financial forecast with concrete business plan of the Target Company was not available to the Company and the Independent Valuer. Therefore, asset approach was considered as the most appropriate method and adopted by the Independent Valuer in arriving the market value of the Target Company.

In arriving the market value using asset based approach, the Independent Valuer has adopted the consolidated net asset value of the WOFE, presented on its unaudited statement of financial position as at 30 June 2024. The net asset value was further discounted by (i) the marketability discount of 15.61% based on Stout Restricted Stock Study, and (ii) the minority share discount of 15.90% based on the minority discount applicable to health service companies from Mergerstat Control Premium Study published by FactSet Mergerstat, LLC., both being commonly used in the industry.

According to the Valuation Report and based on the above, the appraised value of 40.13% equity interests of the Target Company was approximately HK$5.9 million as at the Valuation Date.

The valuation was based on certain principal factors, including, (i) the financial and operating situation of the Target Group, (ii) the general economic outlook, the specific economic and competitive elements affecting the Target Group's businesses, its industry and market, (iii) the nature and prospects of the industry the Target Group is operating, (iv) the market-derived investment returns of entities engaged in a similar line of business and returns from other similar types of business, and (v) the stage of development, business risks, financial position and credit risk of the Target Group; and certain assumptions, including, among others, that there will be no material changes to the regulatory and economic environment governing the industry, no material changes to the financial performance of the Target Group and the comparable companies, and the retention of competent management and key personnel.

The Directors have reviewed the assumptions adopted in the Valuation Report and have been advised that the key assumptions adopted in the Valuation Report are commonly used in valuing similar companies. In the course of conducting the valuation of Target Group, there is insufficient information for the Company to ascertain the accuracy of the unaudited management accounts provided by the Target Company (it was also one of the reasons that the Company failed to publish its annual results for the year ended 31 December 2023).

However, the PRC audited accounts of the Operating Branch for the twelve months ended 31 December 2023 and the PRC unaudited consolidated accounts of the WOFE for the six months ended 30 June 2024 were obtained by the Company. Having considered that (i) the Operating Branch is the only major operating company among the Target Group and its financial information was substantially reflected in the PRC unaudited consolidated accounts of the WOFE, (ii) the PRC audited accounts provided a more reliable source for the Company to assess the financial position of the Target Group, and (iii) the opening balances of the unaudited accounts of the Operating Branch for the six months ended 30 June 2024 did not contain material discrepancy against the closing balances of PRC audited accounts for the year ended 31 December 2023, the Company believes that it is more appropriate to assess the value of the Target Group based on the PRC unaudited consolidated accounts of the WOFE as at 30 June 2024. Saved as otherwise disclosed in this announcement, there are no irregularities noted by the Directors in relation to the quantitative inputs in the valuation. The Directors therefore consider the key assumptions, the quantitative inputs and methodology adopted in the valuation are fair and reasonable.

The Company has been spending tremendous efforts recovering the investment made which was led by the former management. In recent years, the Company encountered material difficulties in obtaining the financial records and exerting shareholder influence over the Target Company. The Company even took legal actions against the Target Company to rescind the investment made at that period of time. Having considered that the consideration is higher than the appraised value which also outweighed the time and costs for raising further dispute and legal action against the Target Company and the accounting uncertainty which may be brought by the otherwise continued holding of the investment in the Target Company, the Directors are of the view that the consideration for the Disposal is fair and reasonable.

Completion

The Disposal Agreement is unconditional and completion of the Disposal took place upon signing of the Disposal Agreement.

INFORMATION OF THE GROUP

The Company is an investment holding company. The Group is principally engaged in the (i) provision of advertising services, (ii) sale of household and personal care products to e-commerce platform, and (iii) sale of medical and health products for health checks.

INFORMATION OF THE TARGET GROUP

To the best of the knowledge, information and belief of the Directors, the Target Group is principally engaged in clinic operation in China.

Based on the information available to the Company, the Target Company is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding.

In April 2024, one of the shareholders of the Target Company subscribed 533,917 new shares and 177,973 new shares at the consideration of HK$3,248,400 and RMB1,000,000 respectively. Despite the Company has made complaints to the Company Registry in September 2024 to disagree the validity of such subscription, the Company Registry informed the Company in February 2025 that it accepted the registration of share allotment in relation to such subscription. Set out below is the shareholding of the Target Company immediately before and after the completion of the share subscription:

	Before		**After**	
Shareholders	*No. of shares*	*%*	*No. of shares*	*%*
Aurora Healthcare US Corporation	2,637,115	45.00	3,349,005	50.95
The Company	2,637,115	45.00	2,637,115	40.13
JPlay International Group Limited	293,013	5.00	293,013	4.46
Sun Beyond International Limited	293,013	5.00	293,013	4.46
Total	5,860,256	100.00	6,572,146	100.00

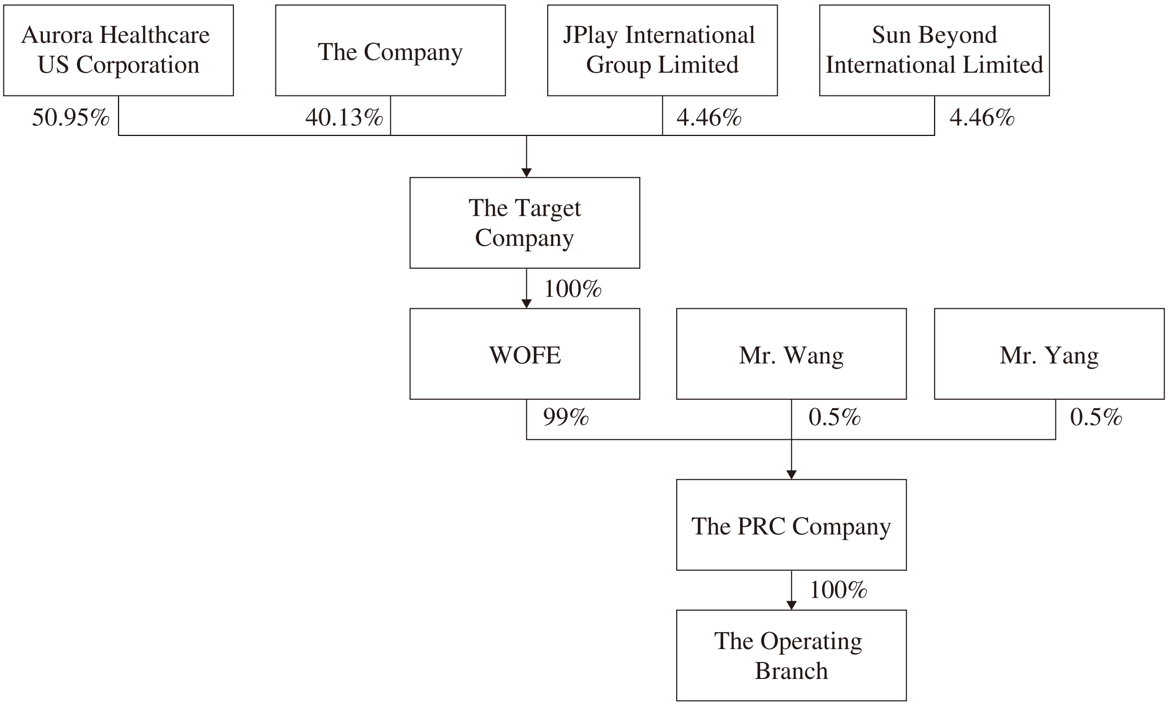
As such, as at the date of this announcement, the Target Company is owned as to 50.95% by Aurora Healthcare US Corporation, as to 40.13% by the Company, as to 4.46% by JPlay International Group Limited and as to 4.46% by Sun Beyond International Limited. Its only wholly-owned subsidiary is the WOFE.

The WOFE is a company established under the laws of the PRC with limited liability and is principally engaged in investment holding. Its only subsidiary is the PRC Company.

The PRC Company is a company established under the laws of the PRC with limited liability and is principally engaged in investment holding. It is owned as to 99% by the WOFE, 0.5% by Mr. Wang (who is also the ultimate beneficial owner of the Purchaser), and 0.5% by Mr. Yang. Its only wholly-owned subsidiary is the Operating Branch.

The Operating Branch is a company established under the laws of the PRC with limited liability and is principally engaged in the provision of medical and healthcare services through the operation of private medical centre focusing on breast health diagnosis and breast cancer treatment and other professional medical services for local patients in the PRC.

Set out below is the shareholding structure of the Target Group immediately before the Disposal:



Upon Completion, the Group ceased to hold any equity interests in the Target Company.

Based on the information available to the Company, the unaudited financial information of the Target Group for the two years ended 31 December 2024 is as follows:

	For the year ended 31 December	
	2024	**2023**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue	2,099	473
Net loss before taxation	16,603	14,461
Net loss after taxation	16,619	14,597

Based on the latest unaudited management accounts provide by the Target Company, the unaudited net liabilities of the Target Group as at 31 December 2024 amounted to approximately HK$4.7 million.

The Company has so far used its best endeavours to retrieve the financial information from the Target Group, but the Target Group failed to provide its financial statements in a timely, complete, and consistent manner. Please refer to "Reasons for the Disposal" in this announcement for the details of various unaudited financial statements that the Company obtained.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in the British Virgin Islands with limited liability. The Purchaser is principally engaged in investment holding. The Purchaser is wholly owned by Mr. Wang, a merchant and private investor with PRC nationality who is interested in investing in medical projects and is indirectly interested in 0.5% equity interest of the Operating Branch.

Saved as disclosed above, to the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner is an Independent Third Party.

FINANCIAL IMPACT OF THE DISPOSAL ON THE GROUP

It is expected that the Group will recognise a loss of approximately HK$6 million from the Disposal before expenses, which is calculated with reference to the difference between the Consideration of the Disposal and the initial consideration paid in May 2023 in the amount of HK$16 million.

The actual amount of gain or loss in connection with the Disposal is subject to audit, may be recognised over the financial years ended 31 December 2023 and 31 December 2024, and may be different from the above. Following the Completion, the Group ceased to hold any interest in the Target Company.

REASONS FOR THE DISPOSAL

In May 2023, under the management of the ex-management led by Mr. Tsang, a former executive director and the former company secretary of the Company, the Group acquired 45% interest of the Target Group for a cash consideration of HK$16 million. However, the Target Group has been continuously loss-making since the completion of the acquisition.

Further, the Company has so far used its best endeavours to retrieve the financial information from the Target Group, but the Target Group has not always been providing its updated financial statements in a timely, complete, and consistent manner, which posed the Group at the risks to comply with its ongoing obligations, to assess the financial performance of the Target Group and to compile its consolidated financial statements.

As disclosed in Note 12 to the condensed consolidated financial statements on page 32 of the Company's interim report for the six months ended 30 June 2023, as of 30 June 2023, the Group shared post-acquisition loss of the Target Group in the amount of HK$2.1 million, resulting in the carrying value of HK$13.9 million. In November 2023, the Company received the unaudited management accounts showing that the Target Group made loss of approximately HK$8.7 million for the nine months ended 30 September 2023 and had net assets of approximately HK$12.7 million as at that date. In January 2024, the Company received unaudited management accounts showing that the Target Group made loss of approximately HK$11.5 million for the twelve months ended 31 December 2023 and had net assets of approximately HK$7.8 million as at that date.

Recently, the Company received (i) an incomplete unaudited management accounts for the twelve months ended 31 December 2023 showing that the Target Group had net assets of approximately HK$7.6 million, which is different from the unaudited management accounts obtained previously, of which the respective income statements is missing; (ii) an unaudited management accounts for the two months ended 29 February 2024 showing that the Target Group made loss of approximately HK$2.5 million and had net assets of approximately HK$21.6 million; (iii) an incomplete unaudited management accounts for the six months ended 30 June 2024 showing that the Target Group had net assets of approximately HK$4.4 million, of which the respective income statements is missing; and (iv) an unaudited management accounts for the two years ended 31 December 2024 showing that the Target Group had net liabilities of approximately HK$4.7 million, of which the comparative figures in year 2023 was inconsistent with the previous accounts that the Company received. So far as the Board and the management are aware, there is insufficient information to ascertain the reliability, genuineness and accuracy of the unaudited management accounts provided by the Target Group. Having said that, the Company received (i) a PRC audited accounts of the Operating Branch showing that the Operating Branch made loss of approximately RMB9.2 million for the twelve months ended 31 December 2023 and had net assets of approximately RMB26.3 million; and (ii) a PRC unaudited consolidated accounts of the WOFE showing that the subsidiaries in PRC (mainly represent the Operating Branch) made loss of approximately RMB6.1 million for the six months ended 30 June 2024 and had consolidated net assets of approximately RMB19.4 million.

Whilist the Group's strategy is to invest in various industry sectors with growth potential for business diversification, the actual performance of the Target Group did not positively contribute to the Group's performance. As disclosed in the announcement of the Company on 3 April 2023, 17 April 2023 and 24 June 2024, the Company was taking legal action seeking to rescind its investment made and was spending a significant amount of effort and resources to retrieve the financial information of the Target Group. Taking into account the fact that (i) the legal action has been and is expected to drag on for a long time with substantial amount of costs to spend, (ii) the unsatisfactory performance of the Target Company to the Group; and (iii) the unsatisfactory cooperation between the Company and the management of the Target Group, the Company and the Target Company has been engaged in negotiation to resolve the dispute. After rounds of negotiation, the Target Company was able to procure Mr. Wang, one of the minority investors of the Target Group, to take up the Sale Shares based on terms which were considered to be fair and reasonable to the Company. The Valuation was therefore prepared and the Disposal Agreement was therefore negotiated.

It is believed that the Disposal would (i) offer an opportunity for the Group to dispose of its interest in the Target Company to better utilise its management and financial resources to maintain its current operations in various business; (ii) generate immediate cash inflow to the Group, which would in turn improve the liquidity of the Group and facilitate the Group to meet its working capital requirements and for the future capital needs for its business development, including existing and new business opportunities; (iii) conserve management and financial resources for projects with better return while the Group continues to explore business opportunities with growth potential; (iv) resolve the legal dispute with the Target Company in an amicable manner which help to save a substantial amount of time and financial resources of the Company; and (v) eliminate the uncertainty in obtaining reliable financial information of the Target Company for audit.

In light of the above reasons, the Directors are of the view that the terms of the Disposal Agreement and the Disposal as contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The Group intends to use the proceeds from the Disposal for general working capital purpose.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

CONTINUED SUSPENSION OF TRADING OF SHARES

Trading in the shares of the Company on the Stock Exchange of Hong Kong Limited has been suspended with effect from 9:00 a.m. on Tuesday, 2 April 2024 and will remain suspended until further notice.

Shareholders and potential investors should accordingly exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings.

"Board"	the board of Directors of the Company
"Company"	Allegro Culture Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the of the Stock Exchange (Stock Code: 00550)
"Completion"	completion of the Disposal pursuant to the terms of the Disposal Agreement
"Director(s)"	the director(s) of the Company

"Disposal"	the disposal of the Sale Shares by the Company pursuant to the Disposal Agreement
"Disposal Agreement"	the disposal agreement dated 7 May 2025 entered into among the Company, the Purchaser and the Target Company in respect of the Sale Shares
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	an individual or a company who or which is independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Wang"	Mr. Wang Shenggui (王生桂), who is ultimately beneficially interested in 0.5% equity interest of the PRC Company
"Mr. Yang"	Mr. Yang Shijie (楊世杰), who is beneficially interested in 0.5% equity interest of the PRC Company
"PRC"	People's Republic of China
"Purchaser"	Sino Agile Global Limited (中敏環球有限公司), a company incorporated in the British Virgin Islands with limited liability, wholly and directly owned by Mr. Wang
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	the 2,637,115 shares issued by the Target Company pursuant to the Disposal Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"%"	per cent

\# *names in English are transliteration of the Chinese names for identification purpose only*

By order of the Board
Allegro Culture Limited
Yiu Sze Wai
Executive Director

Hong Kong, 7 May 2025

As at the date of this announcement, the Board comprises Ms. Yiu Sze Wai as executive Director; Ms. Chung Anita Mei Yiu and Ms. Sun Jing as non-executive Directors; and Ms. Tang Po Lam Paulia, Mr. Chan Chiu Hung Alex, Mr. Li Chaobo and Ms. Yang Wanning as independent non-executive Directors.