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Virtual Mind Holding Company Limited
天機控股有限公司

(formerly known as CEFC Hong Kong Financial Investment Company Limited 香港華信金融投資有限公司)

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1520)

SUPPLEMENTAL ANNOUNCEMENT
DISCLOSEABLE TRANSACTION
UPDATES AND FURTHER INFORMATION ON THE ACQUISITION OF
THE ENTIRE ISSUED SHARE CAPITAL OF
THE TARGET COMPANY
INVOLVING THE ISSUE OF CONSIDERATION SHARES
UNDER SPECIFIC MANDATE

Reference is made to the announcement of Virtual Mind Holding Company Limited (formerly known as CEFC Hong Kong Financial Investment Company Limited) (the “**Company**”) dated 25 January 2022 (the “**Announcement**”) in relation to the Acquisition. The Company would like to provide updates and further information in relation to the Acquisition. Terms used herein shall have the same meanings as defined in the Announcement unless otherwise stated.

BASIS OF THE INITIAL CONSIDERATION

The Initial Consideration and the payment mechanism for the Initial Consideration was arrived at based on normal commercial terms after arm’s length negotiation between the Company and the Vendor, and the arrangement is in the interest of the Company and the Shareholders as a whole taking into account, among others, the following:

- (i) the objective valuation on the Target Group of approximately RMB43.0 million (equivalent to approximately HK\$52.89 million) based on market approach as at 31 December 2021 conducted by the Valuer;
- (ii) the fact that the Target Group has been in its initial development stage;
- (iii) the performance of the Target Group in the 4th quarter of 2021 after it launched the products based on the characters issued by the Gaming Partner;
- (iv) the cooperation between the Target Group and its business partners such as the Gaming Partner and a leading digital entertainment platform in the PRC (the “**Other Gaming Partner**”);
- (v) the portfolio of the licenced IPs and proprietary IPs of the Target Group;
- (vi) the business development and future prospect of the Target Group in the application of its IP rights on the creation of both virtual and physical trendy cultural products which also create synergy to the apparel business of the Group in creating cross-over products using the proprietary IP rights;
- (vii) the entire issued share capital of the Target Company to be transferred to the Company upon Completion;
- (viii) the payment terms of the Consideration, which includes an adjustment mechanism and are subject to downward adjustments depending on the achievement of the Guaranteed Profit by the Target Group;
- (ix) the benefits and synergy effect that can be brought to the Group as a result of the Acquisition which will also enable the Group to:
 - a. expand the Group’s apparel business with the collaboration with the IP products;
 - b. diversify its products from women apparel products to all-rounded trendy apparel and other accessories products for men, women and young adults;
 - c. extend its market focus to cover the PRC market; and
 - d. benefit from the contribution of the Target Group in terms of revenue from the trendy cultural products; and

- (x) other reasons as described under the paragraph headed “Reasons for and benefits of entering into the Acquisition Agreement” in the Announcement.

The Directors believe that the Initial Consideration, Final Consideration and Issue Price for the Consideration Shares are fair and reasonable and in the interests of the Company and the Shareholders as a whole on the basis that:

- (i) according to the draft valuation report prepared by the Valuer, the value of the Target Group is approximately RMB43.0 million (equivalent to approximately HK\$52.89 million) as at 31 December 2021. The Initial Consideration for the Acquisition is HK\$44.0 million, representing a discount of approximately 16.8% to the preliminary value of the Target Group. The difference is approximately HK\$8.89 million which is sufficient to cover the loss of the Target Group during its previous financial years;
- (ii) the Company will acquire the entire issued share capital of the Target Company on the Completion Date;
- (iii) the Guaranteed Profit is not less than RMB3.6 million (equivalent to approximately HK\$4.43 million) and 30% of the Initial Consideration (i.e. the Batch 2 Consideration Shares to be held by the Company in the capacity as escrow agent) amounts to HK\$13.2 million which is much higher than the amount of the Guaranteed Profit. In the event that the Guaranteed Profit is not fulfilled, the relevant Batch 2 Consideration Shares will be repurchased at nil consideration and cancelled according to the Adjustment;
- (iv) although 60% of the Initial Consideration will be settled by way of allotment and issue of the Batch 1 Consideration Shares, they will be subject to the Lock-up Undertaking which prohibits the Vendor from, amongst others, selling, transferring or disposing of the Batch 1 Consideration Shares or any transactions which will affect such ownership, as such, the performance of the Target Group and the Vendor’s interests in the shares of the Company shall be aligned with the interest of the Shareholders and the Company as a whole; and
- (v) the Acquisition will bring about synergy effect to the Group’s existing apparel business as it will provide the Group with direct access to a portfolio of IPs that can be utilised in producing cross-over trendy cultural apparel and apparel-related products, without which the Group will need to pay for the IP authorisation fees for the use of the IPs in the Group’s existing apparel business.

INFORMATION ABOUT THE TARGET GROUP

The Target Company is incorporated in the Cayman Islands with limited liability. Dreamtoys HK, being a direct wholly-owned subsidiary of the Target Company, is incorporated in Hong Kong with limited liability. Beijing Chuanmeng and Beijing Chuanmeng Creation Technology Co., Ltd.* (北京創夢造物科技有限公司), being indirectly wholly-owned subsidiaries of the Target Company, are incorporated in the PRC with limited liability. The Target Company, Dreamtoys HK, Beijing Chuanmeng and Beijing Chuanmeng Creation Technology Co., Ltd.* (北京創夢造物科技有限公司) are principally investment holding companies and they did not generate any revenue in the past two financial years nor do they hold any IPs.

Chengdu Dreamtoys is incorporated in the PRC with limited liability on 25 May 2020, and is an indirect wholly-owned subsidiary of the Target Company. Chengdu Dreamtoys is principally engaged in the research and development, operation and promotion of trendy cultural products and is the major operating subsidiary of the Target Company.

On one hand, Chengdu Dreamtoys has a featured team of 7 in-house designing artists specialised in designing a single or a series of characters that will be licenced as its proprietary IPs. The elements of the IPs can then be utilised in the development of original, unique, artistic, entertaining, trendy cultural products that are collectible items such as figurines in a covered box and other figurines such as action figures, GK and adult-oriented assembled toys. Such IPs are more of a trendy style which complements with a large variety of fashion on the figurines or can be used in cross-over apparel products or accessories targeted to both women and men apparel markets of younger generation. Chengdu Dreamtoys has applied for the registration of the IPs of 11 animated characters in the PRC, among which the registrations of the IPs of 8 animated characters have been completed.

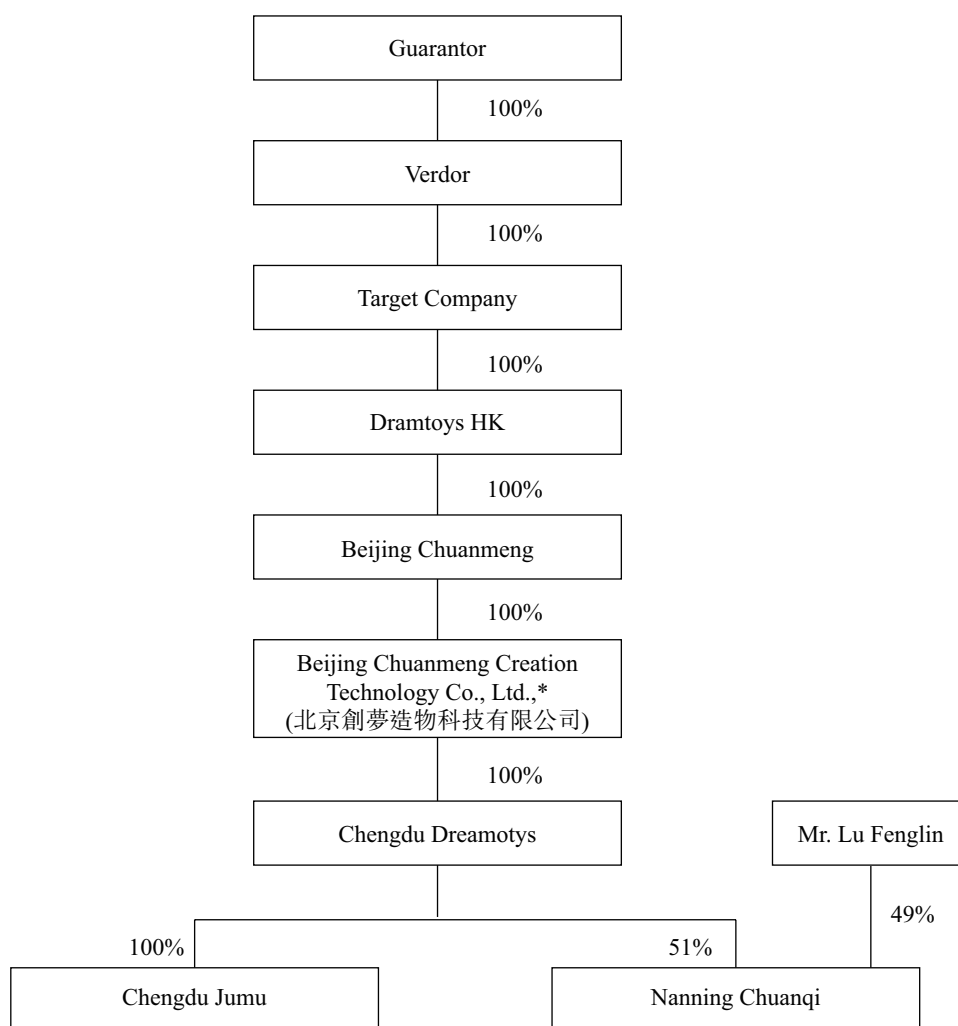
On the other hand, Chengdu Dreamtoys has been cooperating with the Gaming Partner. Owing to the Gaming Partner's high volume of high-quality IP resources, leading entertaining contents and user base, Chengdu Dreamtoys seeks to create synergy with the Gaming Partner by further exploring the commercial values of the licenced IPs. Chengdu Dreamtoys has been granted the licenced IPs through its cooperation with the Gaming Partner so that Chengdu Dreamtoys can develop trendy cultural products derived from the elements of the IPs of the characters in the most famous games of Gaming Partner. Chengdu Dreamtoys has also been granted the licenced IPs from the Other Gaming Partner.

Chengdu Dreamtoys engages third-party manufacturers to manufacture the developed trendy cultural products and figurines which are sold to retail customers through online gaming stores of the Gaming Partner and at various retail stores networks of the Other Gaming Partner. Chengdu Dreamtoys can also licence its proprietary IPs in return for licence fee income. Chengdu Dreamtoys will launch monthly promotion campaign for the introduction of its newly created IP trendy cultural products and build up the IPs' fan communities and promote the cultural products.

As Chengdu Dreamtoys was incorporated in May 2020 and commenced operation in 2021, it did not generate revenue for the year ended 31 December 2020. Since the commencement of its operation in 2021, Chengdu Dreamtoys generated revenue of approximately RMB5.85 million and gross profit of approximately RMB2.0 million for the year ended 31 December 2021 which was greatly attributable to the sales of figurines of a licenced IP from the Gaming Partner. Chengdu Dreamtoys recorded a net loss after tax of approximately RMB2.09 million which was mainly attributable to the initial start-up costs of its office, rental and staff costs (including research and development and design teams) incurred since the commencement of the Target Group's initial development stage in the first three quarters of 2021. While Chengdu Dreamtoys recorded limited sales in the late third quarter, it achieved revenue of approximately RMB5.54 million in the fourth quarter of 2021 representing around 95% of the Target Group's revenue in 2021, following the launch of garage kit products based on the character of the Gaming Partner.

Chengdu Jumu is incorporated in the PRC with limited liability and is a wholly-owned subsidiary of Chengdu Dreamtoys while Nanning Chuanqi is incorporated in the PRC with limited liability and is a non-wholly owned subsidiary of Chengdu Dreamtoys. Both Chengdu Jumu and Nanning Chuanqi have minimal operation and they did not recognise any revenue in the past two financial years ended 31 December 2021. Chengdu Jumu and Nanning Chuanqi do not hold any IPs.

As at the date of this announcement, the shareholding structure of the Target Group is as follows:



THE VALUATION

The Company has engaged the Valuer to perform a valuation (the “**Valuation**”) of 100% equity interest in the Target Group as of 31 December 2021 (the “**Valuation Date**”). According to the preliminary Valuation, the market value of the 100% equity interest in the Target Group as of the Valuation Date was RMB43,000,000 (equivalent to approximately HK\$52.89 million). The Valuation was performed using the guideline public company method under the market approach. In application of the guideline public company method, the forward enterprise value-to-sales ratio (the “**Forward EV/S**”) of the comparable companies, the projected sales and certain adjustments were adopted by the Valuer to derive their valuation opinion.

The calculation of the market value of 100% equity interest of the Target Group as at the Valuation Date is as follows:

Parameter	Unit	Input
Mean adjusted enterprise value-to-sales multiple of the comparable companies	Times	1.29
Projected sales of the Target Group for the financial year ending on 31 December 2022 (the “ Projected Sales ”)	RMB	24,964,950
Enterprise value of the Target Group	RMB	32,310,549
Add: Cash	RMB	5,902,416
Equity value of the Target Group before discount for lack of marketability (the “ DLOM ”) and control premium (the “ CP ”) as at the Valuation Date	RMB	38,212,965
Adjusted for DLOM	%	15.80
Adjusted for CP	%	33.00
Equity value of the Target Group after DLOM and CP (Rounded)	RMB	43,000,000

The basis and methodology of the Valuation are summarised below.

Valuation Methodology

In arriving at the Valuer’s assessed value, they have considered three generally accepted approaches, namely market approach, cost approach and income approach.

To select the most appropriate approach, the Valuer has considered the purpose of the Valuation and the resulting basis of value as well as the availability and reliability of information provided to perform an analysis. They have also considered the relative advantages and disadvantages of each approach to the nature and circumstances of the Target Group. In their opinion, the cost approach is inappropriate for valuing the Target Group, as it does not directly incorporate information about the economic benefits contributed by the Target Group. The income approach is inappropriate as the approach requires detailed operational information and long-term financial projection of the Target Group with objective evidences but such information is not available. Also, given the limited history of the Target Group and the market uncertainties the Target Group will face in the mid and long term, the income approach presents limitations. In light of this, a discounted cash flow under the income approach would carry with it significant uncertainties. Hence, the market approach is adopted in the Valuation.

There are two common methods under market approach, namely, guideline public company method and guideline transaction method. Guideline public company method requires identifying suitable guideline public companies and selection of appropriate trading multiples, while guideline transaction method takes reference to recent mergers and acquisitions transaction between unrelated parties and ratio of transaction price to target company's financial parameters.

In the Valuation, the market value of the 100% equity interest of the Target Group was developed through the guideline public company method. The Valuer has adopted Forward EV/S ratio in this valuation. The Forward EV/S ratio was calculated using the guideline companies' enterprise value as of the Valuation Date divided by their respective next year's forecasted revenue.

Market Multiple

In determining the market multiple, a list of comparable companies was identified. The selection criteria include the followings:

- The companies derive most, if not all, of their revenues from the same industry of the Target Group, i.e. designing and developing toys based on self-owned or licensed intellectual properties, so that they are similar and comparable enough to formulate the benchmark in the Valuation;
- The comparable companies are searchable in Bloomberg;
- The domicile territories of the comparable companies are in East Asia according to Bloomberg;
- The comparable companies are publicly listed and their shares are actively traded; and
- Sufficient data, including but not limited to the Enterprise Value as at the Valuation Date and projected revenue for the next year as from the Valuation Date of the comparable companies is available.

As sourced from Bloomberg, an exhaustive list of comparable companies satisfying the above criteria was obtained on a best effort basis. The details of the comparable companies are listed below:

Bloomberg Ticker	Company Name	Company Description
002292 CH Equity	Alpha Group (China)	Alpha Group manufactures toys and dolls. The Company produces animation toys, electronic game machines, and other products. Alpha Group also operates cartoon production, game development, and other businesses.
9992 HK Equity	Pop Mart International Group	Pop Mart International Group Limited operates as a toys wholesales company. The Company provides trendy toys designing, production, marketing, and other services. Pop Mart International Group markets its products worldwide.
7867 JP Equity	Tomy Company, Ltd	Tomy Company, Ltd. designs and manufactures a wide variety of toys and hobby goods. The Company's product line includes video game software, character goods, gift items, and toys for infants. The Company specializes in designing and marketing its toys while assigning production to domestic and foreign subsidiaries.

Adjustments to the Forward EV/S ratios

As the comparable companies are often of significantly different size from the Target Group with larger companies generally have lower expected returns that translate into higher values, and vice versa, the Forward EV/S ratios of the comparable companies were adjusted to reflect the difference in geographic locations and sizes between the comparable companies and Target Group.

The following formula was adopted in deriving the size adjustment:

$$\text{Adjusted Multiple} = 1 / (1 / \text{Original Multiple} + \alpha \varepsilon \theta)$$

where:

α = The scale factor (Revenues/After-Tax EBIT).

ε = The ratio of the equity value to the EV of the guideline company.

θ = The size differential with reference to “CRSP Deciles Size Premia Study: Key Variables as of 31 December 2020” by Duff & Phelps Cost of Capital Navigator.

The adjusted multiples represent the hypothetical multiples of the comparable companies as if they were of the similar size to the Target Group.

The adjusted multiple of the comparable companies are listed as below:

Bloomberg Ticker	Company Name	Market Capitalisation (USD' Million)	Original EV/S Multiple	Adjusted EV/S Multiple
002292 CH Equity	Alpha Group (China)	1,473	3.34	0.59
9992 HK Equity	Pop Mart International Group	8,037	6.51	2.89
7867 JP Equity	Tomy Company Ltd	920	0.54	0.40
Mean				1.29

Equity Value

The adjusted Forward EV/S ratio was applied with the Projected Sales by the Valuer to derive the enterprise value of the Target Group. The equity value of the Target Group was calculated using the following formula which is a widely accepted formula in deriving the equity value from enterprise value:

$$\text{Market Cap} = \text{EV} - \text{PE} - \text{MI} - \text{ST Debt} - \text{LT Debt} + \text{Cash}$$

where:

EV = enterprise value

Market Cap = market capitalization of ordinary equity

PE = preferred equity

MI = minority interest

ST Debt = short-term debt

LT Debt = long-term debt

Short-term debt applied in the above formula relates to interest-bearing debt, non-operating capital such as preferred equity and minority interests and non-operating cash which should be excluded in order to derive the equity value of the Target Group. On the other hand, the operation-related liabilities are not required to be deducted.

Per the Valuer's experience, this method is commonly used among the valuation industry and can be found in public disclosures from other Hong Kong listed companies.

Having considered the above, the Valuer is of the view that such treatment (the "**Treatment**") of not excluding the operation-related liabilities in the calculation of the Target Group's equity value to be fair and reasonable. Having considered (i) the fact that the formula above is a widely accepted formula; (ii) the nature of the Target Group's liabilities; and (iii) the Valuer's view on the Treatment, the Directors are of the view that the Treatment is fair and reasonable.

In forming the valuation opinion, the Valuer also considered the business nature, economic environment factors and financial statement of the Target Group.

The following key assumptions have been based by the Valuer:

- The financial information provided accurately reflects the Target Group's financial and operating position and performance;
- The accuracy of the financial and operational information of the Target Group such as management accounts, contractual agreements and manufacturing capabilities, provided to the Valuer by the Company relied to a considerable extent on such information in arriving at the Valuer's opinion of value;

- The financial statements of the Target Group were prepared in accordance with accounting principles generally accepted internationally on a true and fair basis;
- There are no other liabilities, including any contingent liabilities, unusual contractual obligations or substantial commitments which would have a material effect on the value of the Target Group;
- The continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued;
- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Group;
- The operational and contractual terms stipulated in the relevant contracts and agreements will be honored;
- The copies of the operating licenses and company incorporation documents provided are reliable and legitimate;
- The 2022 revenue of the Target Group will be achieved in accordance to the management's projection; and
- There are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value. Further, the Valuer assumes no responsibility for changes in market conditions after the Valuation Date.

In addition, the Valuer has also taken into account the following factors when forming the basis of Valuation: (i) assumptions made on the market and on the Target Group are considered to be fair and reasonable; (ii) market value as of the Valuation Date; (iii) the micro-economic and macro-economic factors relating to the business of the Target Group; and (iv) the controllership and liquidity of the equity interest of the Target Group.

Projected Sales

The Projected Sales consist of (i) approximately RMB24 million of sales turnover of trendy cultural products and (ii) RMB1 million of licence fee income from the licencing of the Target Group's proprietary IPs.

The Target Group plans to launch 12 trendy cultural products originated from the Target Group's proprietary IPs and licenced IPs in 2022 and the total revenue to be generated from the relevant sales during 2022 is estimated to be approximately RMB24 million. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the estimated selling price of each of the IP products was determined based on various factors, including materials, sizes, license fees, manufacturing and operation costs, and the target profit margin; and (ii) the Target Group has also made reference to the market price of the IP products of similar ranking that are on sale in the market as a benchmark of the customers' willingness to spend on the IP products. The Target Group offers different categories of the IP products with varied collectible features tailored for fans with different preferences. For instance, blind box is the entry level product with relatively lower prices. Character boutique action figure involves more design work and materials for production and this category of products is normally priced as a mid-level product. Character GK is a larger-sized action figure which has more detailed design and craftsmanship for the production and this category of products is normally priced as a high-end product.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the estimated sales volume of the IP products of the Target Group was determined in the following two aspects:

1. in respect of the proprietary IP products, the estimated sales volume was determined based on (i) the experience and market intelligence gathered by the management team of the Target Group on the popularity of the proprietary IP products with reference to the sales volume of similar IP products launched in various online shopping channels; (ii) the capability of the e-commerce trading platforms which provide sales channels for the Target Group's IP products with track record of high turnover; and (iii) the expected promotion campaign to be launched in marketing the IP products in various sales channels; and
2. in respect of the licenced IP products, the estimated sales volume was determined based on (i) the historical sales volume of similar character boutique figure and character GK provided by the Gaming Partner; and (ii) the expected promotion campaign to be launched together with the Gaming Partner and the Other Gaming Partner in marketing the IP products in various media platforms and the sales channels.

Pursuant to a licence agreement entered into between Chengdu Dreamtoys and the Company, Chengdu Dreamtoys grants the exclusive right of use of the IP right of four animated characters (the “**IP Characters**”) worldwide to a wholly-owned subsidiary of the Company for the development, production and sales of apparel of the IP Characters for the period from 19 January 2022 to 18 January 2023. According to the licence agreement, the Company has to pay a fixed licence fee of RMB1 million to Chengdu Dreamtoys for total sales within RMB20 million and an additional floating licence fee of 5% for the cumulative total sales exceeding RMB20 million.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Target Group has entered into several sales entrustment contracts with e-commerce trading platforms in the PRC in order to secure the sales channels of the Target Group’s trendy cultural products through popular online shopping platforms.

In addition, Chengdu Jumu, as the licensee, has entered into a licence agreement (大運好禮運營計劃授權協議) with Chengdu Kuanzhai Cultural and Creative Industry Investment Group Company Limited* (成都寬窄文創產業投資集團有限公司), a wholly-owned subsidiary of Chengdu Cultural Tourism Development Group Company Limited*(成都文化旅遊發展集團有限責任公司) which is wholly-owned by Chengdu State-owned Assets Supervision and Administration Commission, as the licensor on 1 March 2022. The executive committee of the 31st Summer Universiade has granted Chengdu Cultural Tourism Development Group Co., Ltd.*(成都文化旅遊發展集團有限責任公司) as the main operation entity of “大運好禮” programme. As an authorised partner, Chengdu Jumu’s products (一起樂盒-成都本土文創產品), which is the proprietary IP products of Chengdu Dreamtoys, have been reviewed and approved by the licensor to have the relevant logo of “大運好禮”, and to be produced and distributed within the licensed scope as special products with anti-counterfeiting labels. Under the licence agreement, Chengdu Jumu commits that they will provide not less than 50,000 units of the authorised products (一起樂盒大運好禮限量專款). The 31st Summer Universiade will be held from 26 June 2022 to 7 July 2022 in Chengdu.

In assessing whether the amount of the Projected Sales is achievable and the fairness and reasonableness of its basis, the Directors have considered the following factors:

i. Fast-rising young markets

According to iiMedia Research, the turnover of the global trendy cultural product industry reached approximately RMB149.3 billion in 2020, a year-on-year growth of 19.7% and the turnover of the Chinese trendy cultural product market reached approximately RMB29.5 billion in 2020, a year-on-year growth of 44%. The domestic trendy cultural product market is a fast-rising young market. In the future, China's trendy cultural product market will maintain a relatively rapid growth trend as a whole. It is expected that the industry will reach approximately RMB57.5 billion by 2023, and the compound growth rate is expected to be 24.9% from 2021 to 2023.

With reference to Baidu's 2021 《國潮驕傲搜索大數據》, the post-90s and post-00s generations' attention to "China-Chic" (i.e. fashion and trendy products with Chinese traditional cultural characteristics) reached 74.4%. The topics that the post-00s' group pays most attention to are "Chinese trendy brand" and "domestic animation". The Directors are optimistic that the Target Group's trendy cultural products will penetrate into the market of the younger adults of the post-90s and post-00s generations.

ii. Recognition of the Target Group's capabilities and vision

The success of the launched GK products by Chengdu Dreamtoys has been recognised by the Gaming Partner. The Directors are of the view that the IPs owned/licenced by the Target Group have great market potential and the Group is confident that the trendy cultural products originated from the IPs will stand out in the market and lure the fan community of the popular online game of the Gaming Partner and the Other Gaming Partner to purchase the Target Group's products.

iii. Products launched for well-known IPs from the Gaming Partner and the Other Gaming Partner

The licenced IP products to be launched in 2022 include licenced IPs from the Gaming Partner and the Other Gaming Partner. The brand influence and huge fan base of these well-known games will help Chengdu Dreamtoys save a lot of marketing costs and favor the relevant product sales.

iv. *Excellent performance of proprietary IPs*

Chengdu Dreamtoys has a featured team of 7 in-house designing artists specialised in designing a single or a series of characters that will be licenced as its proprietary IPs. Chengdu Jumu's products (一起樂盒-成都本土文創產品), which is the proprietary IP products of Chengdu Dreamtoys, have been reviewed and approved by the relevant operation entity of “大運好禮” programme granted by the executive committee of the 31st Summer Universiade. Chengdu Jumu has obtained the relevant authorization so that Chengdu Jumu can produce and sell the authorised products (一起樂盒大運好禮限量專款). The selection of Chengdu Dreamtoys' proprietary IP products into the “大運好禮” programme of the 31st Summer Universiade is a great affirmation of the ability of Chengdu Dreamtoys' design team, and it also demonstrates the high quality of the proprietary IPs.

v. *Favorable government policies*

According to 《產業結構調整指導目錄(2019年)》 issued by the National Development and Reform Commission, “cultural creative design services” and “anime creation and derivative product development” belong to the industries encouraged by the State. The State Council also pointed out in 《關於新形勢下加快知識產權強國建設的若干意見》 that “deepen the reform in the field of intellectual property rights, accelerate the construction of a powerful intellectual property rights country, and promote the integrated development of cultural and creative design, services and related industries.” It shows that the relevant government policies support and encourage IP incubation, product creative design and production.

vi. *Diverse sales channels*

In addition to the sales in physical store of the Other Gaming Partner, the Target Group has also secured e-commerce trading platforms in the PRC so that the Target Group's products will be accessible in popular online shopping platforms and the in-game sales platform of the Gaming Partner, etc. Further, the Target Group will cooperate with gaming partners to promote and sell the products through channels such as exhibitions and pop-up stores. The diverse sales channels and the brand influence of the gaming partners can greatly help the achievement of the sales target.

Having considered the above, the Directors are of the view that the amount of the Projected Sales is achievable and the basis of setting the Projected Sales is fair and reasonable.

As the Completion is subject to the satisfaction of certain conditions precedent as set out in the Acquisition Agreement, the Acquisition may or may not materialise. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

By order of the Board
Virtual Mind Holding Company Limited
Li Yang
Chairman and Executive Director

Hong Kong, 8 April 2022

As at the date of this announcement, the executive Directors of the Company are Mr. Li Yang (Chairman), Ms. Tin Yat Yu Carol, Mr. Cheung Ka Lung, Mr. Chan Ming Leung Terence and Mr. Gong Xiaohan; and the independent non-executive Directors of the Company are Mr. Tang Shu Pui Simon, Mr. Hon Ming Sang and Ms. Lo Wing Sze JP.

** For identification purpose only.*