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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)**

**FIRST QUARTERLY RESULTS ANNOUNCEMENT  
FOR THE THREE MONTHS ENDED 30 JUNE 2018**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This announcement, for which the directors (the “Directors”) of Amuse Group Holding Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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.*

The board of Directors (the “Board”) of the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 30 June 2018 (“Q1 FY2019”), together with the unaudited comparative figures for the corresponding period in 2017 (“Q1 FY2018”) as follows:

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the three months ended 30 June 2018*

	<i>Notes</i>	<b>Three months ended 30 June</b>	
		<b>2018</b> <i>HK\$'000</i> <b>(unaudited)</b>	<b>2017</b> <i>HK\$'000</i> <b>(unaudited)</b>
Revenue	3	<b>28,161</b>	23,770
Cost of sales		<b>(21,723)</b>	(17,904)
Gross profit		<b>6,438</b>	5,866
Other net income	4	<b>197</b>	458
Selling expenses		<b>(702)</b>	(404)
Administrative expenses		<b>(3,566)</b>	(3,170)
Listing expenses		<b>(2,487)</b>	(944)
Valuation gain on investment property		<b>–</b>	400
(Loss)/profit from operations		<b>(120)</b>	2,206
Finance costs	5(a)	<b>(36)</b>	(29)
(Loss)/profit before taxation	5	<b>(156)</b>	2,177
Income tax expense	6	<b>(354)</b>	(554)
(Loss)/profit and total comprehensive income for the period		<b>(510)</b>	1,623
(Loss)/earnings per share			
– Basic and diluted (HK cents)	7	<b>(0.06)</b>	0.22

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2018

	Share capital HK\$'000	Share premium HK\$'000	Land and buildings revaluation reserve HK\$'000	Merger reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
Balance at 1 April 2017	–*	–	1,242	129	58,351	59,722
Profit and total comprehensive income for the period	–	–	–	–	1,623	1,623
Balance at 30 June 2017 (Unaudited)	–*	–	1,242	129	59,974	61,345
<b>Balance at 1 April 2018</b>	–*	–	<b>1,242</b>	<b>129</b>	<b>69,261</b>	<b>70,632</b>
Issue of shares	<b>2,500</b>	<b>85,000</b>	–	–	–	<b>87,500</b>
Capitalisation issue of shares	<b>7,500</b>	<b>(7,500)</b>	–	–	–	–
Transaction costs directly attributable to issue of shares	–	<b>(10,509)</b>	–	–	–	<b>(10,509)</b>
Loss and total comprehensive income for the period	–	–	–	–	<b>(510)</b>	<b>(510)</b>
<b>Balance at 30 June 2018 (Unaudited)</b>	<b>10,000</b>	<b>66,991</b>	<b>1,242</b>	<b>129</b>	<b>68,751</b>	<b>147,113</b>

\* The balances represent amounts less than HK\$1,000.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the three months ended 30 June 2018*

## 1. GENERAL INFORMATION

The Company is incorporated in the Cayman Islands with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of the Company's registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands.

The Company's shares were listed on the GEM of the Stock Exchange on 31 May 2018 (the "Listing").

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

The measurement basis used in the preparation of the unaudited condensed consolidated financial statements is the historical cost basis except that the investment property is stated at fair value. The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$") and all figures are rounded to the nearest thousand ("HK\$'000") unless otherwise indicated.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the three months ended 30 June 2018 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure provisions of the GEM Listing Rules. The principal accounting policies used in the first quarterly unaudited condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

The Group has adopted all the new and revised HKFRSs issued that are relevant to its operations and effective for its accounting period beginning on 1 April 2018. The application of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

The Group has not applied the new and revised HKFRSs which have been issued but are not yet effective. The Group is currently in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether they would have a material impact on the Group's results and financial position.

The unaudited condensed consolidated results have not been audited by the Company's auditor, but have been reviewed by the Company's audit committee.

### 3. REVENUE AND BUSINESS SEGMENT

#### (a) Revenue

The principal activities of the Group are design, marketing, distribution and retail sales of toys and related products.

The Group's revenue comprised the sales of Original Design Manufacturing ("ODM") toys to license holders, sale of own licensed toys and distribution of imported toys and is analysed by principal activities as follows:

	Three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of ODM toys to license holders	19,625	18,627
Distribution of imported toys	6,087	2,414
Sales of own licensed toys	2,449	2,729
	<u>28,161</u>	<u>23,770</u>

The Group's customers are primarily distributors based in Japan. The percentage of revenue contributed by the Group's five largest customers for the three months ended 30 June 2018 amounted to approximately 85% (three months ended 30 June 2017: 89%). Further details regarding the Group's principal activities are disclosed below.

The Group manages its business by three divisions, namely sale of ODM toys, sale of own licensed toys and distribution of imported toys. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the above three reportable segments. No operating segments have been aggregated to form the above reportable segments.

#### (b) Information about major customers

Revenue from customers during the period contributing over 10% of the Group's revenue are as follows:

	Three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Group's largest customer	<u>19,919</u>	<u>19,516</u>

#### 4. OTHER NET INCOME

	Three months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Bank interest income	26	2
Net exchange loss	(296)	(115)
Rental income	60	60
Freight charge income	218	196
Management fee income	188	310
Sundry income	1	5
	<u>197</u>	<u>458</u>

#### 5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

	Three months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>(a) Finance costs</b>		
Interest on bank loan and overdrafts	<u>36</u>	<u>29</u>
	<u>36</u>	<u>29</u>
<b>(b) Staff costs</b>		
Salaries, wages and other benefits	2,060	1,893
Contributions to defined contributions retirement plans	<u>71</u>	<u>70</u>
	<u>2,131</u>	<u>1,963</u>
<b>(c) Other items</b>		
Depreciation of property, plant and equipment	97	107
Auditors' remuneration	325	195
Operating lease charges for land and buildings	<u>263</u>	<u>306</u>

## 6. INCOME TAX

	Three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – Hong Kong Profits Tax	393	537
Deferred tax	(39)	17
	<u>354</u>	<u>554</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for each of the reporting period.

## 7. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$510,000 (three months ended 30 June 2017: profit of HK\$1,623,000) and weighted average of 750,000,000 ordinary shares in issue during the three months ended 30 June 2018 (three months ended 30 June 2017: 750,000,000 shares).

The weighted average number of ordinary shares is calculated as follows:

	At 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Issued ordinary share at 1 April	20,000	20,000
Capitalisation issue on 31 May 2018	749,980,000	749,980,000
Effect of shares offer on 31 May 2018	83,333,333	–
	<u>833,333,333</u>	<u>750,000,000</u>

The capitalisation took place on 31 May 2018 is deemed to be completed on 1 April 2017 and the weighted average number of shares at 30 June 2018 and 2017 have been adjusted accordingly. There was no difference between basic and diluted (loss)/earnings per share as the Company did not have any dilutive potential shares outstanding during the three months ended 30 June 2018 and 2017.

## 8. DIVIDENDS

No dividends were paid or declared by the Company or any of the subsidiaries during the three months ended 30 June 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review and outlook

The shares of the Company (the “Share(s)”) were successfully listed on the GEM of the Stock Exchange on 31 May 2018. The Group is principally engaged in design, marketing, distribution and retail sales of toys and related products.

#### *Business Review*

The Group believes that its dedication to quality toys and competitive pricing over the years has contributed to its long-term relationships with its largest customer group. The Group has worked with Sentinel Co., Ltd. and Wing Co., Ltd. for over 8 and 12 years, respectively. The Group believes that it can leverage on its established relationship with these two major customers to further develop new business opportunities in the animations, comics and games (ACG) toy industry.

The Group’s distribution platforms mainly comprised (i) local and overseas distributors; (ii) its online store and flagship store in Hong Kong; and (iii) certain consignment sales channels.

The Group applied the “SENTINEL/千值練”, “TOPI” and “FLAME TOYS” brands in developing its own licensed toys over the years. The Group will increase the uniqueness of its own licensed toys, enhance the market presence of the Group and distinguish the Group from being a general toy distributor or retailer.

The Group believes that its ability to carry out one-stop design and distribution for licensed toys gives it competitive edges over toy companies which are solely engaged in either toy design or distribution operation. Since 2005, the Group has provided ODM services to customers ranging from product design, mould development, prototyping, production management and quality control. The Group has its in-house design and development team. Further, the Group has started our distribution operation for licensed toys since 2012, and developed a diverse distribution platform over the years.

### Financial Analysis

#### *Revenue*

Revenue increased by approximately 18.5% to approximately HK\$28,161,000 for Q1 FY2019 from approximately HK\$23,770,000 for Q1 FY2018. The increase in revenue was mainly due to the increase in revenue from (i) distribution of imported toys; and (ii) sales of the ODM toys in the end of period.



### ***Cost of sales***

The Group's cost of sales, incurred from the ODM toys production costs, distribution of imported toys and own licensed toys comprises (i) production costs; (ii) license fee; (iii) depreciation of mould; and (iv) others.

Cost of sales increased by approximately 21.3% to approximately HK\$21,723,000 for Q1 FY2019 from approximately HK\$17,904,000 for Q1 FY2018.

### ***Gross profit***

Gross profit increased by approximately 9.8% to approximately HK\$6,438,000 for Q1 FY2019 from approximately HK\$5,866,000 for Q1 FY2018. The gross profit margin decreased to approximately 22.9% for Q1 FY2019 from approximately 24.7% for Q1 FY2018 due to the decrease in sales proportion of sale of own licensed toys which has the highest gross profit margin in the three reportable segments.

### ***Other income and gains***

Other income and gains decreased by approximately 57.0% to approximately HK\$197,000 for Q1 FY2019 from approximately HK\$458,000 for the Q1 FY2018.

### ***Selling expenses***

Our selling expenses comprise (i) advertising; (ii) staff costs which mainly represents the expenses in salary of staff; (iii) freight, postage and delivery; (iv) commission expense for our consignment sales; and (v) other selling and distribution expenses. Selling expenses increased by approximately 73.8% to approximately HK\$702,000 for the Q1 FY2019 from approximately HK\$404,000 for Q1 FY2018, mainly due to (i) an increase in staff costs mainly attributable to increase in number of staff and salary increments to certain employees; and (ii) increased exhibition expense.

### ***Administrative expenses***

Our administrative expenses mainly consists of (i) staff costs which mainly represents the expenses in salary and staff benefit payable to our administrative department including our Directors; (ii) operating lease charges for land and building; (iii) travelling and entertainment expenses; (iv) audit fee; (v) depreciation expenses; (vi) legal and professional fee; (vii) stamp duty; (viii) insurance expenses mainly in relation to product liability insurance; and (ix) other administrative expenses.

Administrative expenses increased by approximately 12.5% to approximately HK\$3,566,000 for Q1 FY2019 from approximately HK\$3,170,000 for Q1 FY2018. The increased expense was mainly presented by (i) increase of legal and professional fee mainly represented by variety of after IPO expenses; and (ii) increase in staff costs due to increase in salary and number of staff.

### ***Event after the reporting period***

There is no significant event subsequent to 30 June 2018 which would materially affect the Group's operating and financial performance.

### **OTHER INFORMATION**

#### **Directors' and chief executives' interest and short position in shares, underlying shares or debentures**

As at 30 June 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which shall have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which shall be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which shall be required to notify the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules, were as follows:

#### ***Long position***

<b>Name of Director/ chief executive</b>	<b>Name of Group member/associated corporation</b>	<b>Capacity/Nature of interest</b>	<b>Total number of shares</b>	<b>Approximate percentage of shareholding</b>
Mr. Li Wai Keung ("Mr. Li")	The Company	Interest of a controlled corporation	637,500,000 <i>(Note 1)</i>	63.75%
Mr. Li	Infinite Force Holdings Limited ("Infinite Force")	Beneficial owner	1 ordinary share <i>(Note 2)</i>	100%

#### ***Notes:***

1. Infinite Force, a company incorporated in the British Virgin Islands, is the registered owner of 637,500,000 Shares. As Mr. Li owns the entire issued share capital of Infinite Force, he is deemed to be interested in all the shares of the Company registered in the name of Infinite Force under the SFO.
2. Infinite Force is the registered owner of 637,500,000 shares of the Company, and is wholly owned by Mr. Li. Under the SFO, Infinite Force is an associated corporation of the Company.

Save as disclosed above, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules as at 30 June 2018.

### **Substantial shareholders' and other persons' interests and short positions in shares or underlying shares**

As at 30 June 2018, so far as the Directors are aware, other than the Directors and chief executive of the Company whose interests are disclosed under the paragraph headed "Directors' and chief executives' interest and short positions in shares, underlying shares or debentures" above, the following persons had an interest or short position in the shares or underlying shares of the Company which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which is required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

#### ***Long position***

<b>Name of shareholders</b>	<b>Capacity/Nature of interest</b>	<b>Total number of shares</b>	<b>Approximate percentage of shareholding</b>
Infinite Force	Beneficial owner	637,500,000 <i>(Note 1)</i>	63.75%
Ms. Fong Wing Yan	Interest of spouse	637,500,000 <i>(Note 2)</i>	63.75%
New Express Investment Limited ("New Express")	Beneficial owner	112,500,000 <i>(Note 3)</i>	11.25%
China Investment and Finance Group Limited ("China Investment")	Interest of a controlled corporation	112,500,000 <i>(Note 3)</i>	11.25%

#### ***Notes:***

1. Infinite Force, a company incorporated in British Virgin Islands, is wholly owned by Mr. Li. Under the SFO, Mr. Li is deemed to be interested in the shares of the Company registered in the name of Infinite Force.

2. Ms. Fong Wing Yan, the spouse of Mr. Li, is deemed to be interested in all the shares of the Company in which Mr. Li is interested by virtue of the SFO.
3. New Express is wholly owned by China Investment, a company incorporated in the Cayman Islands and whose shares are listed on the Stock Exchange (Stock code: 1226). Under the SFO, China Investment is deemed to be interested in the shares of the Company registered in the name of New Express.

Saved as disclosed above, the Directors were not aware of any other persons other than the Directors or chief executive of the Company who held an interest or short positions in the shares and underlying shares of the Company which were required to be recorded pursuant to section 336 of the SFO as at 30 June 2018.

### **Purchase, sale or redemption of listed securities of the company**

The Company had not redeemed any of its ordinary shares during the three months ended 30 June 2018. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's ordinary shares during the three months ended 30 June 2018.

### **Directors' and controlling shareholders' interest in competing business**

None of the Directors, the directors of the Company's subsidiaries, the Company's controlling shareholders, or any of their respective close associates, as defined in the GEM Listing Rules, has interest in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has any other conflict of interests with the Group (other than being a Director and/or a director of its subsidiaries and their respective associates) during the reporting period.

### **Directors' securities transactions**

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the three months ended 30 June 2018.

### **Share Option Scheme**

The Company's share option scheme (the "Share Option Scheme") was approved by a resolution of the Company's shareholders passed on 11 May 2018. The principal terms of the Share Option Scheme, a summary of which is set out in Appendix VI to the prospectus of the Company dated 18 May 2018, are in compliance with the provisions under Chapter 23 of the GEM Listing Rules.

As of 30 June 2018 and up to the date of this announcement, there was no options granted, exercised, lapsed or cancelled under the Share Option Scheme. There was no outstanding share option not yet exercised under the Share Option Scheme.

## **Interests of the compliance adviser**

As notified by the compliance adviser of the Company, Ample Capital Limited, save for the compliance adviser agreement dated 31 May 2018 entered into between the Company and Ample Capital Limited, none of Ample Capital Limited, its directors, employees and close associates had any interest in the securities of the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 June 2018.

## **Corporate governance practice**

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the “Code”) as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the Code during the three months ended 30 June 2018.

## **Audit committee**

The audit committee of the Company has reviewed the quarterly report of the Group for the three months ended 30 June 2018 with the management and is of the view that such quarterly report complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

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

Hong Kong, 14 August 2018

*As at the date of this announcement, the Board composition is as follows:*

*Chairman and Executive Director:*

Mr. Li Wai Keung

*Executive Directors:*

Mr. To Hoi Pan

Ms. Lee Kwai Fong

*Independent non-executive Directors:*

Ms. Chow Chi Ling Janice

Mr. Tung Man

Mr. Yu Pui Hang

*This announcement will remain on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk), the GEM website at [www.hkgem.com](http://www.hkgem.com), on the “Latest Company Announcements” page for at least seven days from the date of its posting. This announcement will also be published on the Company’s website at [www.amusegroupholding.com](http://www.amusegroupholding.com).*