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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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.

This announcement will remain on the Stock Exchange’s website at www.hkexnews.hk, the GEM website at 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.

The board of Directors (the “Board”) of Amuse Group Holding Limited (the “Company”) is pleased to announce the unaudited interim consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2018, together with the relevant comparative figures, which have not been audited nor reviewed by the independent auditor but have been reviewed and approved by the audit committee of the Company (the “Audit Committee”), as follows:

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

For the six months ended 30 September 2018

		Six months ended	
		30 September	
		2018	2017
		HK\$'000	HK\$'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
Revenue	4	81,819	57,515
Cost of sales		(62,514)	(41,964)
Gross profit		19,305	15,551
Other net income	5	655	1,737
Selling expenses		(3,249)	(2,223)
Administrative expenses		(7,984)	(5,657)
Listing expenses		(2,487)	(1,390)
Valuation gain on investment property		300	700
Profit from operations		6,540	8,718
Finance costs	6(a)	(84)	(56)
Profit before taxation	6	6,456	8,662
Income tax expense	7	(1,459)	(1,770)
Profit for the period		4,997	6,892
Earnings per share			
– Basic and diluted (<i>HK cents</i>)	8	0.54	0.92
Profit for the period		4,997	6,892
Other comprehensive income for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		2	–
Total comprehensive income for the period		4,999	6,892

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

		At 30 September 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
Non-current assets			
Investment property		10,600	10,300
Property, plant and equipment		13,655	15,085
Deferred tax assets		20	23
		<u>24,275</u>	<u>25,408</u>
Current assets			
Inventories		4,408	1,726
Trade and other receivables	9	39,898	35,947
Current tax recoverable		642	1,671
Bank deposits and cash	10	104,028	27,541
		<u>148,976</u>	<u>66,885</u>
Current liabilities			
Trade and other payables	11	12,603	13,958
Bank loans		6,478	6,582
Current tax payable		791	351
		<u>19,872</u>	<u>20,891</u>
Net current assets		<u>129,104</u>	<u>45,994</u>
Total assets less current liabilities		<u>153,379</u>	<u>71,402</u>
Non-current liabilities			
Deferred tax liabilities		757	770
NET ASSETS		<u>152,622</u>	<u>70,632</u>
Capital and reserves			
Share capital	12(a)	10,000	—*
Reserves		142,622	70,632
TOTAL EQUITY		<u>152,622</u>	<u>70,632</u>

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

		Share capital	Share premium	Exchange reserve	Land and buildings revaluation reserve	Merger reserve	Retained earnings	Total equity
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2017		–*	–	–	1,242	129	58,351	59,722
Profit and total comprehensive income for the period		–	–	–	–	–	6,892	6,892
Dividends declared during the period	12(b)	–	–	–	–	–	(6,000)	(6,000)
Balance at 30 September 2017 (Unaudited)		–*	–	–	1,242	129	59,243	60,614
Balance at 1 April 2018		–*	–	–	1,242	129	69,261	70,632
Profit for the period		–	–	–	–	–	4,997	4,997
Other comprehensive income		–	–	2	–	–	–	2
Total comprehensive income		–	–	2	–	–	4,997	4,999
Issue of shares	12(a)	2,500	85,000	–	–	–	–	87,500
Capitalisation issue of shares	12(a)	7,500	(7,500)	–	–	–	–	–
Transaction costs directly attributable to issue of shares		–	(10,509)	–	–	–	–	(10,509)
Balance at 30 September 2018 (Unaudited)		10,000	66,991	2	1,242	129	74,258	152,622

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

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2018

		Six months ended	
		30 September	
	<i>Notes</i>	2018	2017
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities		(2,443)	1,443
Investing activities			
Interest received		157	127
Increase in bank deposits with original maturities over three months		(44,000)	–
Payment for the purchase of equipment, furniture and fixtures		(529)	(1,746)
Net cash used in investing activities		(44,372)	(1,619)
Financing activities			
Repayment of bank loans		(104)	(115)
Increase in amount due from a director		–	(1,609)
Dividends paid	12(b)	–	(900)
Listing expenses paid		(7,113)	(1,077)
Interest paid		(84)	(56)
Proceeds from issuance of shares		87,500	–
Net cash generated from/(used in) financing activities		80,199	(3,757)
Net increase/(decrease) in cash and cash equivalents		33,384	(3,933)
Cash and cash equivalents at the beginning of period		27,541	32,282
Effect of foreign exchange rate changes		(897)	–
Cash and cash equivalents at the end of period	10	60,028	28,349

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 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

The interim results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 September 2018 but are extracted from that interim financial report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the GEM Listing Rules, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 12 November 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 3.

3. CHANGES IN ACCOUNTING POLICIES

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Details of the changes in accounting policies are discussed in note 3(b) for HKFRS 9 and note 3(c) for HKFRS 15.

(b) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The adoption of HKFRS 9 does not have any material impact on the Group's consolidated financial statements.

(c) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services.

The Group has elected to use the cumulative effect transition method. Comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018. The Group assessed that initial application of HKFRS 15 would have no impact on the opening balance of equity at 1 April 2018.

HKFRS 15 does not have material impact to the Group's consolidated financial statements except the presentation of contract liabilities in the consolidated statement of financial position. Further details are set out below:

(i) *Presentation of contract liabilities*

Under HKFRS 15, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

Previously, contract balances relating to trade deposits received from customers were presented as "deposits received" under "trade and other payables" in the consolidated statement of financial position.

To reflect these changes in presentation, "trade deposits" amounting to HK\$1,213,000 are now disclosed as "contract liabilities" which are also under "trade and other payables" at 1 April 2018, as a result of the adoption of HKFRS 15.

4. 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:

	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of ODM toys to license holders	45,010	39,103
Distribution of imported toys	30,956	11,199
Sales of own licensed toys	5,853	7,213
	<u>81,819</u>	<u>57,515</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 six months ended 30 September 2018 amounted to approximately 78% (six months ended 30 September 2017: 86%). 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.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 September 2018 and 2017 is set out below.

	Sales of ODM toys		Distribution of imported toys		Sales of own licensed toys		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	45,010	39,103	30,956	11,199	5,853	7,213	81,819	57,515
Inter-segment revenue	-	-	4,225	1,958	3,737	3,611	7,962	5,569
Reportable segment revenue	<u>45,010</u>	<u>39,103</u>	<u>35,181</u>	<u>13,157</u>	<u>9,590</u>	<u>10,824</u>	<u>89,781</u>	<u>63,084</u>
Reportable segment profit	<u>3,321</u>	<u>4,134</u>	<u>3,827</u>	<u>2,226</u>	<u>924</u>	<u>1,311</u>	<u>8,072</u>	<u>7,671</u>
Depreciation for the year	<u>176</u>	<u>333</u>	<u>9</u>	<u>14</u>	<u>1,774</u>	<u>1,325</u>	<u>1,959</u>	<u>1,672</u>

(b) Reconciliations of reportable segment profit

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit		
Reportable segment profit derived from the Group's external customers	8,072	7,671
Other net income	655	1,737
Listing expenses	(2,487)	(1,390)
Finance costs	(84)	(56)
Valuation gain on investment property	300	700
	<u>6,456</u>	<u>8,662</u>
Consolidated profit before taxation	<u>6,456</u>	<u>8,662</u>

(c) Information about major customers

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

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Group's largest customer	<u>45,613</u>	<u>40,812</u>

5. OTHER NET INCOME

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	393	97
Net exchange (loss)/gain	(839)	498
Rental income	120	120
Freight charge income	414	393
Management fee income	468	503
Sundry income	99	126
	<u>655</u>	<u>1,737</u>

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
(a) Finance costs		
Interest on bank loan and overdrafts	<u>84</u>	<u>56</u>
(b) Staff costs		
Salaries, wages and other benefits	4,848	3,343
Contributions to defined contributions retirement plans	<u>170</u>	<u>143</u>
	<u>5,017</u>	<u>3,486</u>
(c) Other items		
Depreciation of property, plant and equipment	1,959	1,672
Auditors' remuneration	650	390
Operating lease charges for land and buildings	<u>738</u>	<u>667</u>

7. INCOME TAX

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Current tax – Hong Kong Profits Tax	1,469	1,622
Deferred tax	<u>(10)</u>	<u>148</u>
	<u>1,459</u>	<u>1,770</u>

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

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$4,997,000 (six months ended 30 September 2017: HK\$6,892,000) and weighted average of 917,582,418 ordinary shares in issue during the six months ended 30 September 2018 (six months ended 30 September 2017: 750,000,000 shares).

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

	At 30 September	
	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	167,582,418	–
	<hr/>	<hr/>
Weighted average number of shares at 30 September	917,582,418	750,000,000
	<hr/> <hr/>	<hr/> <hr/>

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 September 2018 and 2017 have been adjusted accordingly.

There was no difference between basic and diluted earnings per share as the Company did not have any dilutive potential shares outstanding during the six months ended 30 September 2018 and 2017.

9. TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	At	At
	30 September	31 March
	2018	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Less than 30 days	8,292	12,430
31 to 60 days	10,049	1,878
61 to 90 days	4	1,903
Over 91 days	423	1,403
	<hr/>	<hr/>
Trade receivables, net of loss allowance	18,768	17,614
Other receivables	3,422	3,675
Deposits and prepayments	17,708	14,658
	<hr/>	<hr/>
	39,898	35,947
	<hr/> <hr/>	<hr/> <hr/>

10. BANK DEPOSITS AND CASH

Bank deposits and cash comprise:

	At 30 September 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
Cash at bank and on hand and cash and cash equivalents in the condensed consolidated cash flow statement	60,028	27,541
Bank deposits with original maturities over three months	44,000	–
	<u>104,028</u>	<u>27,541</u>

11. TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 September 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
Less than 30 days	2,297	1,819
31 to 60 days	–	340
61 to 90 days	364	366
Over 91 days but within one year	273	368
Trade payables	2,934	2,893
Deposits received	–	1,213
Contract liabilities	5,827	–
Other payables and accrued expenses	3,842	9,852
	<u>12,603</u>	<u>13,958</u>

Note: As a result of the adoption of HKFRS 15, deposits received are included in contract liabilities (see note 3(c)(i))

12. SHARE CAPITAL AND DIVIDENDS

(a) Share capital

	Number of shares	Nominal value of ordinary shares HK\$
Authorised ordinary shares of HK\$0.01 each:		
At 31 March 2018 and 1 April 2018	38,000,000	380,000
Increase in authorised share capital (<i>note (i)</i>)	9,962,000,000	99,620,000
	<u>10,000,000,000</u>	<u>100,000,000</u>
At 30 September 2018 (Unaudited)	<u>10,000,000,000</u>	<u>100,000,000</u>
Ordinary shares, issued and fully paid:		
At 31 March 2018 and 1 April 2018	20,000	200
Capitalisation issue on 31 May 2018 (<i>note (ii)</i>)	749,980,000	7,499,800
Issuance of shares on 31 May 2018 (<i>note (iii)</i>)	250,000,000	2,500,000
	<u>1,000,000,000</u>	<u>10,000,000</u>
At 30 September 2018 (Unaudited)	<u>1,000,000,000</u>	<u>10,000,000</u>

Notes:

- (i) Pursuant to the resolutions in writing of the shareholders passed on 11 May 2018, the authorised share capital of the Company was increased from 38,000,000 shares to 10,000,000,000 shares by creation of additional 9,962,000,000 shares, ranking pari passu with the shares in all respects with shares in issue as at the date of passing of the written resolution.
- (ii) Pursuant to the resolutions in writing of the shareholders passed on 11 May 2018, subject to the share premium account of the Company being credited as a result of the Listing, the directors were authorised to allot and issue a total of 749,980,000 shares to the holders of shares on the register of members of the Company as of 11 May 2018 in proportion to their respective shareholdings, credited as fully paid at par by way of capitalisation of the sum of HK\$7,499,800 standing to the credit of the share premium account of the Company, and the shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the shares in issue (the "Capitalisation issue"). Such capitalisation issue has been completed on 31 May 2018.
- (iii) On 31 May 2018, the shares of the Company were listed on the GEM of The Stock Exchange of Hong Kong Limited. In connection with the Listing, the Company issued 250,000,000 shares at a price of HK\$0.35 each for gross proceeds of HK\$87,500,000.

(b) Dividends

Dividends declared during the period

	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interim dividends declared	-	6,000

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

During the six months ended 30 September 2017, the Company declared interim dividends of HK\$6,000,000, of which HK\$900,000 has been settled through cash and HK\$5,100,000 was settled through amount due from a director.

13. FAIR VALUE MEASUREMENT

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 30 September 2018 and 31 March 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

For the six months ended 30 September 2018 (“Interim FY2019”) as compared to the last corresponding period ended 30 September 2017 (“Interim FY2018”), the Group’s revenue increased by approximately 42.3% while gross profit increased by approximately 24.1%, which was primarily due to the Group’s efforts paid in developing a new distribution line in trading educational toys that contributed over HK\$8,000,000 revenue in the period. Secondly, over ten new high-end distribution items were delivered to customer, which lead to a significant increase comparing with the last corresponding period.

Business in the Sales of ODM toys to license holder

The Group’s revenue in the Sales of ODM toys to license holder increased by approximately 15.1% from approximately HK\$39,103,000, representing 68.0% of our total revenue, for Interim FY2018 to approximately HK\$45,010,000, representing 55.0% of our revenue, for Interim FY2019.

The Group’s gross profit in the Sales of ODM toys to license holder for Interim FY2019 amounted to approximately HK\$9,224,000, representing 47.8% of our total gross profit and an increase of approximately HK\$49,000, or approximately 0.5%, as compared to that of Interim FY2018 of approximately HK\$9,175,000, which represented 59.0% of our total gross profit in Interim FY2018. Our gross profit margin of this segment in Interim FY2019 was approximately 20.5%, representing a decrease of 3 percentage point as compared to that of Interim FY2018 of approximately 23.5%. The increase in revenue from the sales of ODM toys to license holder was primarily because the average selling price of products in this segment was comparatively higher than that of the last corresponding period.

Business in the Distribution of imported toys

The Group’s revenue in the Distribution of imported toys increased by approximately 176.4% from approximately HK\$11,199,000, representing 19.5% of our total revenue, for Interim FY2018 to approximately HK\$30,956,000, representing 37.8% of our revenue, for Interim FY2019.

The Group’s gross profit in the Distribution of imported toys for Interim FY2019 amounted to approximately HK\$7,987,000, representing 41.4% of our total gross profit and an increase of approximately HK\$4,274,000, or approximately 115.1%, as compared to that of Interim FY2018 of approximately HK\$3,713,000, which represented 23.9% of our total gross

profit in Interim FY2018. Our gross profit margin of this segment in Interim FY2019 was approximately 25.8%, representing a decrease of 7.4 percentage point as compared to that of Interim FY2018 of approximately 33.2%. The increase in revenue from the distribution of imported toys was mainly because a number of new high-end items were released and delivered in the period and a new distribution line in trading educational toys is developing and contributing to the revenue. The significant drop in our gross profit margin was primarily because the gross profit margin of newly developing educational toys trading was lower than the ACG figures.

Business in the Sales of own licensed toys

The Group's revenue in the Sales of own licensed toys decreased by approximately 18.9% from approximately HK\$7,213,000, representing 12.5% of our total revenue, for Interim FY2018 to approximately HK\$5,853,000, representing 7.2% of our revenue, for Interim FY2019.

The Group's gross profit in the Sales of own licensed toys for Interim FY2019 amounted to approximately HK\$2,094,000, representing 10.8% of our total gross profit and a decrease of approximately HK\$569,000, or approximately 21.4%, as compared to that of Interim FY2018 of approximately HK\$2,663,000, which represented 17.1% of our total gross profit in Interim FY2018. Our gross profit margin of this segment in Interim FY2019 was approximately 35.8%, representing a decrease of 1.1 percentage point as compared to that of Interim FY2018 of approximately 36.9%. The decrease in revenue from the sales of own licensed toys was primarily because couple of Iron Man models were newly released in last corresponding period, which constantly provide secured revenue to the Group.

Financial Analysis

Revenue

Revenue increased by approximately 42.3% to approximately HK\$81,819,000 for Interim FY2019 from approximately HK\$57,515,000 for Interim 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 49.0% to approximately HK\$62,514,000 for Interim FY2019 from approximately HK\$41,964,000 for Interim FY2018.

Gross profit

Gross profit increased by approximately 24.1% to approximately HK\$19,305,000 for Interim FY2019 from approximately HK\$15,551,000 for Interim FY2018. The gross profit margin decreased to approximately 23.6% for Interim FY2019 from approximately 27.0% for Interim 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. And the comparatively low gross profit margin in the trading of educational toys was another major reason lead the significant drop in gross profit margin.

Other net income

Other income and gains decreased by approximately 62.3% to approximately HK\$655,000 for Interim FY2019 from approximately HK\$1,737,000 for the Interim FY2018.

The decrease was mainly due to the exchange losses on cash and bank deposits denominated in Renminbi (“RMB”) and Japanese Yen (“JPY”).

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 46.2% to approximately HK\$3,249,000 for the Interim FY2019 from approximately HK\$2,223,000 for Interim 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 41.1% to approximately HK\$7,984,000 for Interim FY2019 from approximately HK\$5,657,000 for Interim 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 September 2018 which would materially affect the Group's operating and financial performance.

Liquidity, financial resources and funding

As at 30 September 2018, we had cash and bank deposits of approximately HK\$104,028,000 (31 March 2018: approximately HK\$27,541,000), which were cash at banks and on hand and bank deposits.

As at 30 September 2018, no bank deposit was pledged (31 March 2018: nil).

As at 30 September 2018, the Group's indebtedness comprised bank loans of HK\$6,478,000 (31 March 2018: HK\$6,582,000).

The Group's gearing ratio, which is calculated by total debt (defined as bank and other debts incurred not in the ordinary course of business) divided by total equity, was 0.04 times as at 30 September 2018 (31 March 2018: 0.09 times).

Going forward, we intend to use our capital for our operations and the expansion plans as stated in the Prospectus.

Capital structure

As at 30 September 2018 and 31 March 2018, the capital structure of our Company comprised issued share capital and reserves.

Commitments

Our contract commitments mainly involve leases of office and warehouse properties. As at 30 September 2018, the Group's operating lease commitments were approximately HK\$2,966,000 (31 March 2018: approximately HK\$1,321,000).

Future plans for material investments and capital assets

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

During Interim FY2019, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies (Interim FY2018: nil).

Significant investments

As at 30 September 2018 , the Group did not hold any significant investments (31 March 2018: nil).

Contingent liabilities

The Group had no material contingent liabilities as at 30 September 2018 (31 March 2018: nil).

Exposure to exchange rate fluctuation

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong with most of the transactions denominated and settled in HK\$.

During Interim FY2019, the Group's exposure to foreign currency risk primarily arose from certain financial instruments including trade and other receivables, cash and cash equivalents and trade and other payables which are denominated in JPY, RMB and/or US\$. During Interim FY2019 and Interim FY2018, the Group did not adopt any hedging strategy but the management continuously monitored the foreign exchange risk exposure on a case-by-case basis. The Group did not use any hedging contracts to engage in speculative activities during Interim FY2019 and Interim FY2018.

Charge on group's assets

At 30 September 2018, the Group's investment property and leasehold land and building with an aggregate carrying value of HK\$17,287,000 were mortgaged to secure banking facilities granted to the Group (31 March 2018: HK\$17,075,000).

Information on employees

As at 30 September 2018, the Group had 30 employees (31 March 2018: 25) working in Hong Kong. Employees are remunerated according to their performance and work experience. On top of basic salary, commission, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance. The total staff cost (including remuneration of the Directors and mandatory provident funds contributions) for Interim FY2019 amounted to approximately HK\$5,017,000 (Interim FY2018: HK\$3,486,000).

Interim dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2018 (Interim FY2018: HK\$6,000,000).

Use of Proceeds

The Shares were listed on GEM on 31 May 2018. The net proceeds from the Listing (after deducting the underwriting fees and related expenses) amounted to approximately HK\$58 million. Up to 30 September 2018, the actual use of proceeds and unutilised proceeds were approximately HK\$4 million and HK\$54 million, respectively. The net proceeds from the Listing were applied as follows:

	Planned use of proceeds as stated in the Prospectus up to 30 September 2018 HK\$'000	Actual use of proceeds up to 30 September 2018 HK\$'000
Expanding our product portfolio of own licensed toys	2,400	2,761
Enhancing our overseas distribution network	200	915
Further strengthening our manpower	1,200	297
Further enhancing our information technology system and performing warehouse renovation	400	75
Total	<u>4,200</u>	<u>4,048</u>

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

Principal risks and uncertainties

The business operations and results of the Group may be affected by various factors, some of which are external causes and some are inherent to the business. The principal risks and uncertainties are summarised as follows:

Principal risks and uncertainties facing the Group

- Failure to obtain new orders could materially affect the Group's financial performance
- The Group relies on the performance of senior management team

Directors' approach to addressing these risks and uncertainties

- The Group has constantly built up good relationships with key customers and actively solicited new customers
- The Group has constantly provided training to senior management team to enhance their performance

Principal risks and uncertainties facing the Group

- Ineffective quality control over the suppliers and products may result in negative impact on the business and operation of our Group
- We may be exposed to delays and/or defaults of payments by our customers which would adversely affect our cash flows or financial results
- Failure to renew existing license rights and/or obtain new license rights for our own licensed toys will have adverse impact on financial performance on our Group

Directors' approach to addressing these risks and uncertainties

- The Group has professional and well trained engineer team to working closely with suppliers in order to maintain our product in high standard of quality and timely
- The Group only offer credit period for customer with long term relationship and well credit record. Most of the customers are traded in cash basis
- The Group has a dedicated team to work closely with existing licensor, obtained outstanding results in the joint events with the licensors. The Group has kept up good relationship and also developing new relationship with potential new licensor in the market

Outlook

The Group will make steady progress in accordance with the plans formulated before the Listing and its actual operational conditions, so as to facilitate effective implementation of the business objectives of the Company and bring benefits from it.

The Board will proactively seek potential business opportunities and explore the possibility to expand the Group's network not limited to ACG figure toys market, that will broaden the sources of income of the Group and enhance value to the shareholders.

In the future, the Board believes that the Group will achieve another breakthrough in terms of its business performance by leveraging on its advantages, in particular with its wide variety of high-end toys product.

OTHER INFORMATION

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

As at 30 September 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

Name of Director/ chief executive	Name of Group member/associated corporation	Capacity/Nature of interest	Total number of shares	Approximate percentage of shareholding
Mr. Li Wai Keung ("Mr. Li")	The Company	Interest of a controlled corporation	637,500,000 (Note 1)	63.75%
Mr. Li	Infinite Force Holdings Limited ("Infinite Force")	Beneficial owner	1 ordinary share (Note 2)	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 September 2018.

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

As at 30 September 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

Name of shareholders	Capacity/Nature of interest	Total number of shares	Approximate percentage of shareholding
Infinite Force	Beneficial owner	637,500,000 (Note 1)	63.75%
Ms. Fong Wing Yan	Interest of spouse	637,500,000 (Note 2)	63.75%
New Express Investment Limited ("New Express")	Beneficial owner	112,500,000 (Note 3)	11.25%
China Investment and Finance Group Limited ("China Investment")	Interest of a controlled corporation	112,500,000 (Note 3)	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 September 2018.

Purchase, sale or redemption of listed securities of the company

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

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 September 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 September 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.

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 six months ended 30 September 2018.

Audit committee

The Audit Committee has reviewed the interim report of the Group for the six months ended 30 September 2018 with the management and is of the view that such interim 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, 12 November 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