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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

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

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*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.*

FINAL RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the consolidated results of the Group for the year ended 31 March 2020 (the “**Year**”), together with the comparative figures for the year ended 31 March 2019 (the “**Prior Year**”) as follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	4	206,965	182,583
Cost of sales		<u>(164,783)</u>	<u>(137,423)</u>
Gross profit		42,182	45,160
Other net income	6	6,254	3,278
Selling expenses		(6,882)	(5,306)
Administrative expenses		(24,515)	(19,665)
Bad debts of trade receivables		(4,545)	–
Reversal/(Provision) of ECL allowance on trade receivables		82	(309)
Listing expenses		–	(2,487)
Loss on deregistration of a subsidiary		<u>(904)</u>	<u>–</u>
Profit from operations		11,672	20,671
Finance costs		<u>(348)</u>	<u>(172)</u>
Profit before taxation	7	11,324	20,499
Income tax	8	<u>(3,874)</u>	<u>(5,378)</u>
Profit for the year		<u>7,450</u>	<u>15,121</u>
Earnings per share for profit attributable to equity shareholders of the Company			
– Basic and diluted (in cents)	10	<u>0.75</u>	<u>1.58</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year	7,450	15,121
Other comprehensive income for the year (net of nil tax and reclassification adjustments)		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiary outside Hong Kong	–	26
Recognition to profit or loss on deregistration of a subsidiary	<u>(26)</u>	<u>–</u>
Total comprehensive income for the year	<u>7,424</u>	<u>15,147</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Non-current assets			
Investment property		–	10,300
Property, plant and equipment		26,299	15,991
Deferred tax assets		30	28
Other receivables		1,298	538
		<u>27,627</u>	<u>26,857</u>
Current assets			
Inventories		3,249	2,633
Trade and other receivables	11	57,556	49,061
Current tax recoverable		1,424	228
Bank deposits and cash		115,102	110,970
		<u>177,331</u>	<u>162,892</u>
Current liabilities			
Trade and other payables	12	22,757	18,971
Bank loans		3,639	6,374
Lease liabilities		3,471	–
Current tax payable		1,356	863
		<u>31,223</u>	<u>26,208</u>
Net current assets		<u>146,108</u>	<u>136,684</u>
Total assets less current liabilities		<u>173,735</u>	<u>163,541</u>
Non-current liabilities			
Lease liabilities		2,915	–
Deferred tax liabilities		626	771
		<u>3,541</u>	<u>771</u>
Net assets		<u>170,194</u>	<u>162,770</u>
Capital and reserves			
Share capital	13	10,000	10,000
Reserves		160,194	152,770
Total equity		<u>170,194</u>	<u>162,770</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Land and buildings revaluation reserve HK\$'000	Merger reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
Balance at 1 April 2018	–*	–	–	1,242	129	69,261	70,632
Changes in equity for 2019:							
Profit for the year	–	–	–	–	–	15,121	15,121
Other comprehensive income	–	–	26	–	–	–	26
Total comprehensive income	–	–	26	–	–	15,121	15,147
Issue of shares	2,500	85,000	–	–	–	–	87,500
Capitalisation issue of shares	7,500	(7,500)	–	–	–	–	–
Transaction costs attributable to issue of shares	–	(10,509)	–	–	–	–	(10,509)
Balance at 31 March 2019 and 1 April 2019	10,000	66,991	26	1,242	129	84,382	162,770
Changes in equity for 2020:							
Profit for the year	–	–	–	–	–	7,450	7,450
Other comprehensive income	–	–	(26)	–	–	–	(26)
Total comprehensive income	–	–	(26)	–	–	7,450	7,424
Transfer upon disposal of investment property	–	–	–	(1,242)	–	1,242	–
Balance at 31 March 2020	10,000	66,991	–	–	129	93,074	170,194

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

1. GENERAL INFORMATION

Amuse Group Holding Limited (the “**Company**”) is a company 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 and the principal place of business of the Company is at Flat A–C, 3A/F, Metex House 24–32, Fui Yiu Kok Street, Tsuen Wan, Hong Kong.

The Company’s shares were listed on the GEM of The Stock Exchange of Hong Kong Limited on 31 May 2018 (the “**Listing**”).

The Company is an investment holding company. The Company and its subsidiaries (together referred to as the “**Group**”) are principally engaged in design, marketing, distribution and retail sales of toys and related products.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated results set out in this announcement do not constitute the Group’s statutory financial statements for the year ended 31 March 2020, but are extracted from those financial statements.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, 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 disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”).

The functional currency of the Company is Hong Kong dollar (“**HK\$**”), which is the same as the presentation currency of the consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED HKFRSs

New and amended HKFRSs that are effective for annual periods beginning or after 1 April 2019

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group’s operations and effective for the Group’s consolidated financial statements for the annual period beginning on 1 April 2019:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments

Other than as noted below, the adoption of these new and amended HKFRSs had no material impact on how the results and the financial position for the current and prior periods have been prepared and presented.

HKFRS 16 “Leases”

HKFRS 16 “Leases” replaces HKAS 17 “Leases” along with three Interpretations (HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease”, HK(SIC)-Int 15 “Operating Leases-Incentives” and HK(SIC)-Int 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained profits for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC)-Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC)-Int 4.

As a lessee

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16, being 1 April 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to HKFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 2.95%.

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 31 March 2019 to the lease liabilities recognised at 1 April 2019:

	<i>HK\$'000</i>
Total operating lease commitments disclosed at 31 March 2019	3,901
Recognition exemptions:	
– Leases with remaining lease term of less than 12 months	(261)
– Commitments relating to leases contracted but not commenced on 1 April 2019	<u>(1,285)</u>
Operating leases liabilities before discounting	2,355
Discounting using incremental borrowing rate as at 1 April 2019	<u>(47)</u>
Total lease liabilities recognised under HKFRS 16 at 1 April 2019	<u><u>2,308</u></u>
Classified as:	
Current lease liabilities	1,172
Non-current lease liabilities	<u>1,136</u>
	<u><u>2,308</u></u>

The following table summarises the impact of transition to HKFRS 16 on the Group's consolidated statement of financial position at 1 April 2019:

	<i>HK\$'000</i>
Increase in right-of-use assets presented in property, plant and equipment	2,308
Increase in lease liabilities (non-current portion)	1,136
Increase in lease liabilities (current portion)	<u>1,172</u>

As a lessor

Upon initial application of HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16. Comparative information is not restated.

Issued but not yet effective HKFRS

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective date not yet been determined

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The application of all these new and amended HKFRSs are not expected to have material impact on the consolidated financial statements.

4. REVENUE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts within the scope of HKFRS 15		
Sales of ODM toys to license holders	136,829	103,088
Distribution of imported toys and related products	36,669	54,319
Sales of own licensed toys and related products	33,467	25,176
	206,965	182,583

5. SEGMENT INFORMATION

5.1 Revenue

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 year ended 31 March 2020 and 2019 is set out below:

	Sales of ODM toys		Distribution of imported toys and related products		Sales of own licensed toys and related products		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	136,829	103,088	36,669	54,319	33,467	25,176	206,965	182,583
Inter-segment revenue	270	–	7,056	8,671	28,062	17,551	35,388	26,222
Reportable segment revenue	<u>137,099</u>	<u>103,088</u>	<u>43,725</u>	<u>62,990</u>	<u>61,529</u>	<u>42,727</u>	<u>242,353</u>	<u>208,805</u>
Reportable segment profit/(loss)	<u>4,498</u>	<u>10,008</u>	<u>4,315</u>	<u>5,348</u>	<u>(2,491)</u>	<u>4,524</u>	<u>6,322</u>	<u>19,880</u>
Depreciation for the year	<u>1,181</u>	<u>420</u>	<u>1,325</u>	<u>148</u>	<u>5,290</u>	<u>3,168</u>	<u>7,796</u>	<u>3,736</u>
Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year	<u>510</u>	<u>50</u>	<u>3,430</u>	<u>2,216</u>	<u>13,242</u>	<u>2,380</u>	<u>17,182</u>	<u>4,646</u>

5.2 Reconciliations of reportable segment profit

	2020 HK\$'000	2019 HK\$'000
Profit		
Reportable segment profit derived from the Group's external customers	6,322	19,880
Other net income	6,254	3,278
Listing expenses	–	(2,487)
Loss on deregistration of a subsidiary	(904)	–
Finance costs	(348)	(172)
Consolidated profit before taxation	<u>11,324</u>	<u>20,499</u>

5.3 Geographic information

The following table sets out information about the geographic location of (i) sale of ODM toys, (ii) distribution of imported toys and related products and (iii) sale of own licensed toys and related products. The geographical location of customers is based on the location at which the goods were delivered.

	Revenue from external customers	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong (place of domicile)	<u>21,793</u>	<u>33,286</u>
Japan	137,387	104,205
The United States	10,786	4,708
People's Republic of China ("PRC")	13,229	15,321
Taiwan	10,072	8,036
Others	13,698	17,027
	<u>185,172</u>	<u>149,297</u>
	<u>206,965</u>	<u>182,583</u>

5.4 Information about major customers

Revenue from customer during the year contributing over 10% of the Group's revenue is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Group's largest customer	<u>136,390</u>	<u>104,200</u>

6. OTHER NET INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	1,313	1,028
Compensation income	1,113	569
Net exchange gain/(loss)	605	(23)
Freight charge income	576	386
Gain on disposal of investment property	500	–
Management fee income	1,838	959
Rental income	114	240
Sundry income	195	119
	<u>6,254</u>	<u>3,278</u>

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(a) Finance costs		
Interest on bank loans	169	172
Interest on lease liabilities	179	–
	<u>348</u>	<u>172</u>
(b) Staff costs (excluding directors' remuneration)		
Salaries, wages and other benefits	8,534	7,808
Contributions to defined contributions retirement plans	343	337
	<u>8,877</u>	<u>8,145</u>
(c) Other items		
Depreciation:		
– Owned assets	4,635	3,736
– Right-of-use assets	3,161	–
Total depreciation	<u>7,796</u>	<u>3,736</u>
Lease charges:		
– Operating lease charges for land and buildings	–	2,138
– Short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	261	–
Total lease charges	<u>261</u>	<u>2,138</u>
Auditors' remuneration	750	1,400
Bad debts of trade receivables	4,545	–
Gain on disposal of investment property	(500)	–
Loss on deregistration of a subsidiary	904	–
(Reversal of)/Provision for ECL allowance on trade receivables	(82)	309
Provision for inventories	200	50
	<u>200</u>	<u>50</u>

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Income tax in the consolidated statement of profit or loss represents:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	4,454	4,855
(Over)/Under provision in respect of prior years	(433)	527
	<u>4,021</u>	<u>5,382</u>
Deferred tax		
Origination and reversal of temporary differences	(147)	(4)
	<u>3,874</u>	<u>5,378</u>

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying entities are taxed at 8.25%, and the profits above HK\$2 million are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2019.

The provision for Hong Kong Profits Tax for 2020 has also taken into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2019–20. The Company is eligible for the maximum reduction of HK\$20,000 (2019: a maximum reduction of HK\$20,000 was granted for the year of assessment 2018-19 and was taken into account in calculating the provision for 2019).

9. DIVIDENDS

The directors do not recommend the payment of a dividend for the years ended 31 March 2020 and 2019.

10. EARNINGS PER SHARE

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

	2020	2019
Issued ordinary shares at the beginning of the reporting period	1,000,000,000	20,000
Capitalisation issue on 31 May 2018	–	749,980,000
Effect of shares offer on 31 May 2018	–	208,904,110
	<u>1,000,000,000</u>	<u>958,904,110</u>

In order to present a meaningful earnings per share, the capitalisation took place on 31 May 2018 (note 20.2) is deemed to be completed on 1 April 2018 and the weighted average number of shares in 2019 has 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 years ended 31 March 2020 and 2019.

11. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables		
Trade receivables – gross	7,604	19,539
Less: ECL allowance	<u>(186)</u>	<u>(407)</u>
Trade receivables – net	<u>7,418</u>	<u>19,132</u>
Other receivables		
Other receivables – gross	4,584	1,694
Less: ECL allowance	<u>–</u>	<u>–</u>
Other receivables – net	<u>4,584</u>	<u>1,694</u>
Deposits and prepayments	<u>46,852</u>	<u>28,773</u>
	<u>58,854</u>	<u>49,599</u>
Less: Portion due over one year included under non-current assets	<u>(1,298)</u>	<u>(538)</u>
	<u>57,556</u>	<u>49,061</u>

Apart from the above, all of the prepayments, deposits and other receivables are expected to be recovered or recognised as expenses within one year.

Ageing analysis

Details of the ageing analysis of trade receivables (net of ECL allowance), based on the invoice date, as of the end of the reporting period are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Less than 30 days	5,451	8,652
31 to 60 days	705	33
61 to 90 days	1,203	840
Over 91 days	<u>59</u>	<u>9,607</u>
	<u>7,418</u>	<u>19,132</u>

Trade debtors are due within 0 to 60 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade debtors.

The movement in the ECL allowance is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At the beginning of the year	407	98
ECL allowance recognised	4,548	309
Amount written off during the year	(4,684)	–
Reversal of ECL allowance recognised	(85)	–
	<u>186</u>	<u>407</u>
At the end of the year	<u><u>186</u></u>	<u><u>407</u></u>

12. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	3,653	7,571
Contract liabilities	15,919	6,751
Other payables and accrued expenses	3,185	4,649
	<u>22,757</u>	<u>18,971</u>
	<u><u>22,757</u></u>	<u><u>18,971</u></u>

Ageing analysis

The Group was granted by its suppliers with credit periods ranging from 30–60 days. As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Less than 30 days	2,269	5,752
31 to 60 days	15	103
61 to 90 days	1,361	1,289
Over 91 days but within one year	8	427
	<u>3,653</u>	<u>7,571</u>
	<u><u>3,653</u></u>	<u><u>7,571</u></u>

13. SHARE CAPITAL

	Number of shares	Amount HK\$
Authorised ordinary shares of HK\$0.01 each:		
At 1 April 2018	38,000,000	380,000
Increase in authorised share capital (<i>note (i)</i>)	9,962,000,000	99,620,000
At 31 March 2019, 1 April 2019 and 31 March 2020	10,000,000,000	100,000,000
At 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
At 31 March 2019, 1 April 2019 and 31 March 2020	1,000,000,000	10,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

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.

BUSINESS REVIEW

Amuse Group Holding Limited (the “**Company**”) is a company incorporated in the Cayman Islands with limited liability under the Companies Law (as revised) of the Cayman Islands. The Company and its subsidiaries (the “**Group**”) are principally engaged in design, marketing, distribution and retail sales of toys and related products.

Sales of original design manufacturer (“ODM”) toys

The sales of ODM toys maintained a healthy growth in Japan, which was instrumental to the sales business of the Group. The Group’s two major customers, namely Sentinel Japan and Wing Co., Ltd., have had work with us for over 9 and 13 years respectively, representing the primary revenue source of the sales of ODM toys. During the year ended 31 March 2020 (the “**Year**”), revenue from sales of ODM toys increased by approximately 32.7% to approximately HK\$136,829,000 (2019: approximately HK\$103,088,000). In light of increased labour costs and costs of raw materials, our suppliers passed some of the increased costs to the Group, which caused a decrease of gross profit margin in the sales of ODM toys of approximately 0.53% during the year, contributing to the main reason for the decrease of the overall gross profit margin for the Year.

Distribution of imported toys and related products

The outbreak of 2019 Novel Coronavirus (“**COVID-19**”) since January 2020 resulted in a drop in the demand of the Group’s products during the final quarter. On the other hand, there were two new high-end robot figures released and delivered in the year ended 31 March 2019 (the “**Prior Year**”). As a result, the revenue from distribution of imported toys and related products decreased significantly by approximately 32.5% to HK\$36,669,000 (2019: approximately HK\$54,319,000) during the Year.

Sales of own licensed toys and related products

The Group applied the “SENTINEL/千值練”, “TOPI” and “FLAME TOYS” brands in developing our own licensed toys and related products over the years. During the Year, the Group introduced a variety of figures of robot-themed characters with good sales performance, resulting in an increase in revenue from sales of own licensed toys and related products during the Year by approximately 32.9% to HK\$33,467,000 (2019: approximately HK\$25,176,000).

FINANCIAL ANALYSIS

Revenue

Revenue is recognised when the customer takes possession of and accepts the products. Revenue is after deduction of any trade discounts.

Revenue increased by approximately 13.4% to approximately HK\$206,965,000 for the Year from approximately HK\$182,583,000 for the Prior Year. The increase in revenue was mainly due to the increase in revenue from (i) sales of own licensed toys and related products; and (ii) sales of ODM toys to license holders.

Cost of sales

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

Cost of sales increased by approximately 19.9% to approximately HK\$164,783,000 for the Year from approximately HK\$137,423,000 for the Prior Year, including the write down of inventory in aggregate of approximately HK\$200,000.

Gross profit

Gross profit decreased by approximately 6.6% to approximately HK\$42,182,000 for the Year from approximately HK\$45,160,000 for the Prior Year. The gross profit margin decreased to approximately 20.4% for the Year from approximately 24.7% for the Prior Year. The decrease in gross profit margin is mainly due to the increase of labour and raw materials costs, which led to the increase of the cost of ODM toys and own licensed toys and related products.

Other net income

Other net income increased by approximately 90.8% to approximately HK\$6,254,000 for the Year from approximately HK\$3,278,000 for the Prior Year.

Selling expenses

Our selling expenses comprises (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 29.7% from approximately HK\$5,306,000 for the Prior Year to approximately HK\$6,882,000 for the Year, mainly due to (i) an increase in the number of sales staff; and (ii) increased postage and delivery fee.

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) insurance expenses mainly in relation to product liability insurance; and (viii) other administrative expenses.

Administrative expenses increased by approximately 45.1% from approximately HK\$19,974,000 for the Prior Year to approximately HK\$28,978,000 for the Year. Such increase was mainly due to (i) bad debts of trade receivables; (ii) increase in staff costs due to increase in salary of staff; and (iii) the additional expenses in respect of the new retail shops in Hong Kong.

Finance costs

The finance costs arose from our bank loans. Finance costs increased by approximately 102.3% to approximately HK\$348,000 for the year from approximately HK\$172,000 for the Prior Year. The increase was mainly due to the increase in interest on lease liabilities.

Income tax expenses

Income tax expenses were decreased by approximately 28.0% to approximately HK\$3,874,000 for the Year, as compared to approximately HK\$5,378,000 for the Prior Year.

Future plans for material investments and capital assets

Except for those included in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 18 May 2018 (the “**Prospectus**”), the Group had no definite future plans for material investments and capital assets.

Significant investments held

It has been the Group’s strategy to explore new potential projects in order to diversify its business as well as broaden income source of the Group and eventually to maximise the return to the shareholders of the Company (the “**Shareholders**”). The board of Directors (the “**Board**”) sees an increasing demand and huge business opportunities for medical face masks and protective products in the PRC and Hong Kong as a result of the increasing awareness of health protection due to the recent global wide spread of new COVID-19 outbreak.

On 30 March 2020, one of the direct wholly-owned subsidiary of the Group, Amuse Luck Limited (“**Amuse Luck**”) has entered into the joint venture agreement with Grand View Protective Products Limited (“**Grand View**”) (the “**Joint Venture Agreement**”) pursuant to which Amuse Luck and Grand View agreed to jointly establish a joint venture (the “**Joint Venture**”) in Hong Kong owned as to 30% by Amuse Luck and 70% by Grand View (the “**Joint Venture**”), which will principally engage in manufacturing and sale of protective products (including medical face masks, infrared thermometer, disinfectant spray, protective clothing, etc.) in Hong Kong and PRC markets.

In accordance with the Joint Venture Agreement, Amuse Luck and Grand View will advance a further investment in aggregate amount of HK\$10 million to the Joint Venture for setting up the medical face masks production lines in proportion to their respective shareholdings, in which Amuse Luck will contribute HK\$3 million to the Joint Venture and Grand View will be responsible for the costs of medical face masks production equipment, its installation and the plant renovation which amount to approximately HK\$7 million.

The Directors are of the view that it is a good opportunity for the Group to invest in a developing industry with potential and the Joint Venture will bring about opportunities for business cooperation with the Group which may diversify the Group’s portfolio of businesses.

Gearing Ratio

Gearing ratio is calculated based on the total loans and borrowings divided by total equity at the respective reporting date. As at 31 March 2020, the Group’s gearing ratio was approximately 0.02 times, while it was 0.04 times as at 31 March 2019. The decrease in gearing ratio was mainly due to the increase of reserve during the year ended 31 March 2020. The Group’s financial position is sound and strong. With available bank balances and cash, the Group has sufficient liquidity to satisfy its funding requirements.

Foreign Exchange Exposure

Certain trade receivables, bank balances and trade payables are denominated in foreign currency of the respective group entities which are exposed to foreign currency risk. Although part of the Group’s revenue and cost are in U.S. Dollar (“**USD**”) and Japanese Yen, the Group does not expect any significant movement in the USD and Japanese Yen exchange rate. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Charge on the Group’s assets

At 31 March 2020, the Group’s building with an aggregate carrying value of HK\$6,422,000 were mortgaged to secure banking facilities granted to the Group (31 March 2019: investment property and building approximately HK\$16,899,000).

Information on employees

As at 31 March 2020, the Group had 38 employees (31 March 2019: 44) 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 the Year amounted to approximately HK\$13,846,000 (2019: approximately HK\$12,770,000).

Dividend

The Board does not recommend the payment of dividend for the year ended 31 March 2020 (2019: Nil).

Use of Proceeds

The ordinary share(s) of the Company (the "Shares") were listed on GEM on 31 May 2018. The net proceeds from the listing of the Shares on GEM (the "Listing") (after deducting the underwriting fees and related expenses) amounted to approximately HK\$57.9 million. Up to 31 March 2020, the actual use of proceeds and unutilised proceeds were approximately HK\$34.2 million and HK\$23.7 million, respectively. The proceeds from the Listing were applied as follows:

	Total planned amount to used <i>HK\$'000</i>	Actual amount utilised up to 31 March 2020 <i>HK\$'000</i>	Unutilised balance as at 31 March 2020 <i>HK\$'000</i>
Expanding our product portfolio of own licensed toys and related products	46,200	24,909	21,291
Enhancing our overseas distribution network	3,600	3,511	89
Further strengthening our manpower	6,000	4,612	1,388
Further enhancing our information technology system and performing warehouse renovation	2,100	1,200	900
Total	<u>57,900</u>	<u>34,232</u>	<u>23,668</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.

Significant investments held, materials acquisitions and disposals of subsidiaries, and plans for material investment or capital assets

During the year ended 31 March 2020, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries. There is no other plan for material investments on capital assets as at 31 March 2020.

Purchase, sale or redemption of listed securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2020.

Corporate Governance Practice

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving high standard of corporate governance that can protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company. For corporate governance purpose, the Company has adopted the Corporate Governance Code (the "CG Code") set out in Appendix 15 of the GEM Listing Rules. During the year, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

Directors' Securities Transactions

The Company has adopted the Model Code as the code of conduct regarding securities transactions by Directors. Following specific enquiry by the Company, all the Directors have confirmed that they have complied with the required standard as set out in the Model Code and its code of conduct regarding directors' securities transactions from the listing date to the date of this announcement.

Contingent Liabilities

As at 31 March 2020, the Group had no significant contingent liabilities (2019: Nil).

Event After the Reporting Period

Following the outbreak of Coronavirus Disease 2019 ("the COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented over the world, which has affected the business and economic activities of the Group to certain extent. Pending on the development of the COVID-19 outbreak subsequent to the date of these financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group. The overall financial effect of the above cannot be reliably estimated as of the date of these consolidated financial statements. The Group will pay close attention to the development of the COVID-19 outbreak and continue to evaluate its impact on the financial position and operating results of the Group.

Audit Committee

The Audit Committee was established in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the Company's financial information, overseeing the Group's financial reporting system, risk management and internal control systems, reviewing and monitoring the effectiveness of the scope of audit and making recommendation to the Board on the appointment of external auditors.

The Group's annual results for the year ended 31 March 2020 has been reviewed by the Audit Committee.

Appreciation

On behalf of the Board, the Chairman of the Company, Mr. Li Wai Keung, would like to take this opportunity to express his sincere gratitude to the management and staff of the Group for their hard work and dedication as well as to its shareholders and business companies for their continued support.

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

Hong Kong, 23 June 2020

As at the date of this announcement, the Board comprises Mr. Li Wai Keung, Mr. To Hoi Pan and Ms. Lee Kwai Fong as executive Directors; and Mr. Yu Pui Hang, Mr. Tung Man and Ms. Chow Chi Ling Janice as independent non-executive Directors.

This announcement will remain on the website of Stock Exchange at www.hkexnews.hk on the "Latest Information" page for at least 7 days from the date of its posting and will be published on the Company's website at www.amusegroupholding.com.