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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 2020

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 the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2020 (the “Period”), together with the comparative figures for the six months ended 30 September 2019 (the “Corresponding Period”), 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”), are set out as follows:

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

For the six months ended 30 September 2020

		Six months ended	
		30 September	
		2020	2019
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Revenue	4	95,294	108,892
Cost of sales		<u>(78,083)</u>	<u>(87,157)</u>
Gross profit		17,211	21,735
Other net income	5	4,356	3,443
Selling expenses		(4,320)	(3,847)
Administrative expenses		(8,700)	(16,353)
Loss on deregistration of a subsidiary		<u>–</u>	<u>(904)</u>
Profit from operations		8,547	4,074
Finance costs	6(a)	<u>(116)</u>	<u>(192)</u>
Profit before taxation	6	8,431	3,882
Income tax expense	7	<u>(2,118)</u>	<u>(1,726)</u>
Profit for the period		<u>6,313</u>	<u>2,156</u>
Earnings per share			
– Basic and diluted (<i>HK cents</i>)	8	<u>0.63</u>	<u>0.22</u>
Profit for the period		6,313	2,156
Release upon deregistration of a subsidiary		<u>–</u>	<u>(26)</u>
Total comprehensive income for the period		<u>6,313</u>	<u>2,130</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	<i>Note</i>	As at 30 September 2020 <i>HK\$'000</i>	As at 31 March 2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	9	19,827	26,299
Deferred tax assets		30	30
Other receivables	10	5,524	1,298
Investment in associate		3,003	–
		<u>28,384</u>	<u>27,627</u>
Current assets			
Inventories		2,402	3,249
Trade and other receivables	10	60,440	57,556
Current tax recoverable		–	1,424
Bank deposits and cash	11	121,205	115,102
		<u>184,047</u>	<u>177,331</u>
Current liabilities			
Trade and other payables	12	25,209	22,757
Bank loans		3,565	3,639
Lease liabilities		2,928	3,471
Current tax payable		2,049	1,356
		<u>33,751</u>	<u>31,223</u>
Net current assets		<u>150,296</u>	<u>146,108</u>
Total assets less current liabilities		<u>178,680</u>	<u>173,735</u>
Non-current liabilities			
Deferred tax liabilities		626	626
Lease liabilities		1,547	2,915
		<u>2,173</u>	<u>3,541</u>
NET ASSETS		<u>176,507</u>	<u>170,194</u>
Capital and reserves			
Share capital		10,000	10,000
Reserves		166,507	160,194
TOTAL EQUITY		<u>176,507</u>	<u>170,194</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 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 earnings HK\$'000	Total equity HK\$'000
Balance at 1 April 2019	10,000	66,991	26	1,242	129	84,382	162,770
Profit for the period	-	-	-	-	-	2,156	2,156
Other comprehensive income	-	-	(26)	-	-	-	(26)
Total comprehensive income	-	-	(26)	-	-	2,156	2,130
Release upon disposal of a investment property	-	-	-	(1,242)	-	1,242	-
Balance at 30 September 2019 (Note)	<u>10,000</u>	<u>66,991</u>	<u>-</u>	<u>-</u>	<u>129</u>	<u>87,780</u>	<u>164,900</u>
Balance at 1 April 2020	10,000	66,991	-	-	129	93,074	170,194
Profit for the period	-	-	-	-	-	6,313	6,313
Total comprehensive income	-	-	-	-	-	6,313	6,313
Balance at 30 September 2020	<u>10,000</u>	<u>66,991</u>	<u>-</u>	<u>-</u>	<u>129</u>	<u>99,387</u>	<u>176,507</u>

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2020

	Six months ended	
	30 September	
<i>Note</i>	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from/(used in)		
operating activities	10,279	(2,901)
Investing activities		
Interest received	384	577
Decrease in bank deposits with original maturities over three months	3,541	14,204
Proceeds from sale of investment property	–	10,800
Addition of deposits for the purchase of investment property	(3,138)	–
Payment for the purchase of equipment, furniture and fixtures	(2,978)	(3,658)
Net cash (used in)/generated from investing activities	(2,191)	21,923
Financing activities		
Repayment of bank loans	(74)	(2,672)
Capital element of lease rental paid	(1,795)	(1,475)
Interest element of lease rental paid	(79)	(86)
Interest paid	(37)	(106)
Net cash used in financing activities	(1,985)	(4,339)
Net increase in cash and cash equivalents	6,103	14,683
Cash and cash equivalents at the beginning of period	115,102	93,512
Effect of foreign exchange rate changes	–	(421)
Cash and cash equivalents at the end of period	121,205	107,774

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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 PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands.

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 interim 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 2020 but are extracted from that interim financial report.

This 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 13 November 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 3.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES

(a) New and amended HKFRSs adopted as at 1 April 2020

In the current period, the Group has applied for the first time the new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's unaudited condensed consolidated interim financial statements for the annual period beginning on 1 April 2020.

Amendments to HKFRS 3	Definition of Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

The adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

(b) Issued but not yet effective HKFRSs

At the date of authorisation of these unaudited condensed consolidated interim 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 3	Reference to the Conceptual Framework ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended use ³
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020 ³

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

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

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective date not yet determined

⁵ 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 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

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	
	2020	2019
	HK\$'000	HK\$'000
Sales of ODM toys to license holders	62,709	74,242
Distribution of imported toys and related products	20,825	21,994
Sales of own licensed toys and related products	11,760	12,656
	95,294	108,892

The Group's customers are primarily distributors based in Japan. The percentage of revenue contributed by the Group's five largest customers for the Period amounted to approximately 76% (the Corresponding Period: 77%). 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 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	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	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	62,709	74,242	20,825	21,994	11,760	12,656	95,294	108,892
Inter-segment revenue	–	–	4,580	4,856	9,389	12,347	13,969	17,203
Reportable segment revenue	62,709	74,242	25,405	26,850	21,149	25,003	109,263	126,095
Reportable segment profit/(loss)	2,405	2,677	974	433	812	(1,575)	4,191	1,535
Depreciation for the year	1,710	1,174	699	590	2,519	2,438	4,928	4,202

(b) Reconciliations of reportable segment profit

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Profit		
Reportable segment profit derived from the Group's external customers	4,191	1,535
Other net income	4,356	3,443
Finance costs	(116)	(192)
Loss on deregistration of a subsidiary	–	(904)
Consolidated profit before taxation	8,431	3,882

(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	
	2020	2019
	HK\$'000	HK\$'000
Group's largest customer	62,709	73,986

5. OTHER NET INCOME

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Bank interest income	384	577
Net exchange gain/(loss)	383	(36)
Gain on disposal of a investment property	–	500
Rental income	–	114
Freight charge income	101	1,022
Management fee income	622	890
Sundry income	958	376
Government grant	1,908	–
	4,356	3,443

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
(a) Finance costs		
Interest on bank loan and overdrafts	37	106
Interest on lease liabilities	79	86
	116	192
(b) Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	6,439	6,675
Contributions to defined contributions retirement plans	199	200
	6,638	6,875
(c) Other items		
Depreciation of property, plant and equipment	3,050	2,405
Depreciation of right-of-use assets	1,878	1,797
Auditors' remuneration	375	700
Impairment losses on trade receivables	–	1,900

7. INCOME TAX

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax	<u>2,118</u>	<u>1,726</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\$6,313,000 (the Corresponding Period: HK\$2,156,000) and weighted average of 1,000,000,000 ordinary shares in issue during the Period (the Corresponding Period: 1,000,000,000 shares).

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

	At 30 September	
	2020	2019
Issued ordinary share at 1 April	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Weighted average number of shares at 30 September	<u>1,000,000,000</u>	<u>1,000,000,000</u>

There was no difference between basic and diluted earnings per share as the Company did not have any dilutive potential shares outstanding during the Period and the Corresponding Period.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group acquired items of plant and machinery with a cost of HK\$2,978,000 (six months ended 30 September 2019: HK\$3,658,000).

10. 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:

	As at 30 September 2020 <i>HK\$'000</i>	As at 31 March 2020 <i>HK\$'000</i>
Trade receivables		
Trade receivables – gross	7,501	7,604
Less: ECL allowance	<u>(186)</u>	<u>(186)</u>
Trade receivables – net	<u>7,315</u>	<u>7,418</u>
Other receivables		
Other receivables – gross	8,779	4,584
Less: ECL allowance	<u>–</u>	<u>–</u>
Other receivables – net	<u>8,779</u>	<u>4,584</u>
Deposits and prepayments	<u>49,870</u>	<u>46,852</u>
	<u>65,964</u>	<u>58,854</u>
Less: Portion due over one year included under non-current assets	<u>(5,524)</u>	<u>(1,298)</u>
	<u>60,440</u>	<u>57,556</u>
	As at 30 September 2020 <i>HK\$'000</i>	As at 31 March 2020 <i>HK\$'000</i>
Less than 30 days	6,095	5,451
31 to 60 days	1,039	705
61 to 90 days	179	1,203
Over 91 days	<u>2</u>	<u>59</u>
	<u>7,315</u>	<u>7,418</u>

The movement in the ECL allowance is as follows:

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

11. BANK DEPOSITS AND CASH

Bank deposits and cash comprise:

	As at 30 September 2020 <i>HK\$'000</i>	As at 31 March 2020 <i>HK\$'000</i>
Cash at bank and on hand	64,956	60,235
Bank deposits with original maturities within three months	<u>49,790</u>	<u>44,867</u>
Cash and cash equivalents in the condensed consolidated cash flow statement	114,746	105,102
Bank deposits with original maturities over three months	<u>6,459</u>	<u>10,000</u>
	<u>121,205</u>	<u>115,102</u>

12. TRADE AND OTHER PAYABLES

	As at 30 September 2020 <i>HK\$'000</i>	As at 31 March 2020 <i>HK\$'000</i>
Trade payables (<i>note 12(a)</i>)	1,962	3,653
Contract liabilities (<i>note 12(b)</i>)	19,729	15,919
Other payables and accrued expenses	<u>3,518</u>	<u>3,185</u>
	<u>25,209</u>	<u>22,757</u>

(a) 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:

	As at 30 September 2020 <i>HK\$'000</i>	As at 31 March 2020 <i>HK\$'000</i>
Less than 30 days	1,448	2,269
31 to 60 days	199	15
61 to 90 days	224	1,361
Over 91 days but within one year	<u>91</u>	<u>8</u>
	<u>1,962</u>	<u>3,653</u>

(b) Movement in contract liabilities

When the Group receives a trade deposit before the goods are delivered, this will give rise to contract liabilities at the start of a contract, until the revenue recognised exceeds the amount of the deposit. The amount of deposit is negotiated on a case by case basis with customers.

All contract liabilities are expected to be recognised as revenue within one year.

13. DIVIDENDS

No dividends were paid or declared by the Company or any of the subsidiaries during the six months ended 30 September 2020 and 30 September 2019.

14. 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 2020 and 31 March 2020.

15. COMMITMENTS

At 30 September 2020 and 31 March 2020, the Group has no operating lease commitment as lessee, as the Group adopted HKFRS 16 "Leases" with effect from 1 April 2019.

At 30 September 2020, the Group had capital commitment in respect of investment property of HK28,243,800 (31 March 2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

The Group is principally engaged in design, marketing, distribution and retail sales of toys and related products.

Business Review

For the Period as compared to the Corresponding Period, the Group's revenue decreased by approximately 12.5% while gross profit decreased by approximately 20.8%.

Business in the sales of ODM toys to license holder

The Group's revenue in the sales of ODM toys to license holders decreased by approximately 15.5% to approximately HK\$62,709,000 (the Corresponding Period: approximately HK\$74,242,000).

The decrease in revenue from this segment was primarily because of the outbreak of Coronavirus Disease 2019 (the "COVID-19") in early 2020, the suppliers have resume their normal production capacity in post lockdown in mainland China.

Business in the distribution of imported toys and related products

The Group's revenue in the distribution of imported toys and related products decreased by approximately 5.3% to approximately HK\$20,825,000 (the Corresponding Period: approximately HK\$21,994,000).

The decrease in revenue from the distribution of imported toys and related products was mainly because the COVID-19 outbreak has continuously affected the global transportation links.

Business in the sales of own licensed toys and related products

The Group's revenue in the sales of own licensed toys and related products decreased by approximately 7.1% to approximately HK\$11,760,000 (the Corresponding Period: approximately HK\$12,656,000).

The decrease in revenue from the sales of own licensed toys and related products was primarily because the COVID-19 crisis has significant impacts on consumer behaviour and product demand and thereby resulting in a drop in sales from retail store.

Financial Analysis

Revenue

Revenue decreased by approximately 12.5% to approximately HK\$95,294,000 for the Period from approximately HK\$108,892,000 for the Corresponding Period.

The decrease in revenue was mainly due to the COVID-19 outbreak in early 2020, i) severe slowing down the production of our suppliers in mainland China, ii) the global transportation links were affected by the lockdown in the major countries, iii) the product demand was dropped by the impacts on consumer behaviour.

Cost of sales

Cost of sales decreased by approximately 10.4% to approximately HK\$78,083,000 for the Period from approximately HK\$87,157,000 for the Corresponding Period. The decrease of cost of sales is align with the decrease of revenue.

Gross profit

Gross profit decreased by approximately 20.8% to approximately HK\$17,211,000 for the Period from approximately HK\$21,735,000 for the Corresponding Period. The gross profit margin decreased to 18.1% for the Period from approximately 20.0% for the Corresponding Period due to the increase in sales proportion of sale of ODM toys which has lower gross margin in current period in the three reportable segments.

Other net income

Other income increased by approximately 26.5% to approximately HK\$4,356,000 for the Period from approximately HK\$3,443,000 for the Corresponding Period.

The increase was mainly due to the subsidies received from Hong Kong Government, which is covered by the Employment Support Scheme and the Retail Sector Subsidy Scheme.

Selling expenses

Selling expenses increased by approximately 12.3% to approximately HK\$4,320,000 for the Period from approximately HK\$3,847,000 for the Corresponding Period, mainly due to the new opening of three additional retail stores which were not yet opened in the Corresponding Period.

Administrative expenses

Administrative expenses decreased by approximately 46.8% to approximately HK\$8,700,000 for the Period from approximately HK\$16,353,000 for the Corresponding Period. The decreased expense was mainly presented by some items of expenses were no longer incurred or were considerably reduced during the Period. The notable expense reductions compared with the Corresponding Period are (i) promotion expense for the corporate identity on media; (ii) loss on deregistration of a subsidiary in Mainland China; and (iii) impairment loss on trade receivables.

Event after the reporting period

The shareholders of the Company (“Shareholders”) by way of poll at the extraordinary general meeting of the Company held on 5 November 2020 (the “EGM”) has passed the acquisition (the “Acquisition”) of four workshops and a carpark located in Tsuen Wan, New Territories (the “Properties”) at the consideration of HK\$31,382,000. The formal agreement shall be signed on or before 16 November 2020 or a later date as agreed between the parties. Completion shall take place on or before 30 November 2020.

The deposit of HK\$3,138,200 was paid by the Group to the vendor and the balance of HK\$28,243,800 shall be paid by the Group to the vendor upon completion of the Acquisition on or before 30 November 2020. The vendor shall deliver vacant possession of the Properties to the Group upon completion save for the Group agreeing to purchase a workshop and a carpark subject to existing tenancy.

Apart from the above mentioned, there is no other significant event subsequent to 30 September 2020 which would materially affect the Group’s operating and financial performance.

Liquidity, financial resources and funding

As at 30 September 2020, the Group had cash and bank deposits of approximately HK\$121,205,000 (31 March 2020: approximately HK\$115,102,000), which were cash at banks and on hand and bank deposits.

As at 30 September 2020, no bank deposit was pledged (31 March 2020: nil).

As at 30 September 2020, the Group’s indebtedness comprised bank loans of HK\$3,565,000 (31 March 2020: HK\$3,639,000) and lease liabilities of HK\$4,475,000 (31 March 2020: 6,386,000).

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 0.02 times as at 30 September 2020 (31 March 2020: 0.02 times).

Capital structure

As at 30 September 2020 and 31 March 2020, the capital structure of the Company comprised issued share capital and reserves.

Future plans for material investments and capital assets

Save as disclosed in the prospectus of the Company dated 18 May 2018 (the “Prospectus”), and the acquisition of investment properties as mentioned under Event after the reporting period in Page 26 of this announcement, the Group did not have other plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

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

Contingent liabilities

The Group had no material contingent liabilities as at 30 September 2020 (31 March 2020: 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 the Period, 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 the Period and the Corresponding Period, 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 the Period and the Corresponding Period.

Charge on group’s assets

At 30 September 2020, the Group’s leasehold land and building with an aggregate carrying value of HK\$6,334,000 were mortgaged to secure banking facilities granted to the Group (31 March 2020: HK\$6,422,000).

Information on employees

As at 30 September 2020, the Group had 37 employees (31 March 2020: 38) 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 remuneration of the Directors for the Period amounted to approximately HK\$2,562,000 (the Corresponding Period: approximately HK\$2,985,000).

Interim dividend

The Board does not recommend the payment of interim dividend for the Period (the Corresponding Period: 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\$58 million. Up to 30 September 2020, the actual use of proceeds and an unutilised proceeds were approximately HK\$48,800,000 and HK\$9,100,000, respectively. The proceeds from the Listing were applied as follows:

Details of the use of the net proceeds and the expected timeline for the intended use of the unutilised net proceeds are as follows:

Intended application of the net proceeds	Percentage of total proceeds %	Planned applications HK\$ in million	Actual usage up to 31 March 2020 HK\$ in million	Actual usage up to 30 September 2020 HK\$ in million	Unutilised amount as 30 September 2020 HK\$ in million	Expected timeline for utilising the unutilised net proceeds
Expanding our product portfolio of own licensed toys (<i>Note 1</i>)	79.8	46.2	24.9	38.1	8.1	Expected to be fully utilised on or before 31 March 2022
Enhancing our overseas distribution network	6.2	3.6	3.5	3.5	0.1	Expected to be fully utilised on or before 31 March 2021
Further strengthening our manpower	10.4	6.0	4.6	5.9	0.1	Expected to be fully utilised on or before 31 March 2021
Further enhancing our information technology system and performing warehouse renovation	3.6	2.1	1.2	1.3	0.8	Expected to be fully utilised on or before 30 September 2021
Total	100.0	57.9	34.2	48.8	9.1	

Note 1: Due to the Anti-ELAB Movement from June, 2019, both the design and licensing approval process have slowed down or stopped. Moreover, because of the outbreak of COVID-19, the effect is extremely serious whereby not only the design and licensing approval process, but also the product supply chain has been under lockdown. All of China suppliers resumed their work from April, 2020 and operations became normal in June 2020. As the Group expects the effect of COVID-19 will continue until the beginning of next year. Therefore, the Group expect to fully utilize the relevant proceeds on or before 31 March, 2022.

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.

Comparison of Business Objectives with Actual Progress

The following is a comparison of the Group's key business strategies as set out in the Prospectus and the actual progress for the Period.

Implementation plan as disclosed in Prospectus	Scheduled key business strategies for the Period as disclosed in Prospectus	Actual activities achieved for the Period
Expanding our product portfolio of own licensed toys	<ul style="list-style-type: none"> – Payment of license fees – Payment of mould cost and production cost 	<ul style="list-style-type: none"> – Both the design and licensing approval process have been slowed down or stopped – The recovery of production in China is faster than expected
Enhancing our overseas distribution network	Maintaining our representative offices in the US, Singapore and Taiwan, distribution network	<ul style="list-style-type: none"> – The lockdown because of COVID-19 has stopped the expansion of the overseas distribution network
Further strengthening our manpower	Maintaining our additional staff recruited	<ul style="list-style-type: none"> – Continually hunting quality manpower in the market
Further enhancing our information technology system and performing warehouse renovation	Upgrading the existing computer software in relation to production design functions	<ul style="list-style-type: none"> – Engaged professional consultant for the implementation of enterprise resource planning system – Obtaining quotation for the warehouse renovation

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

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
- The Group has professional and well trained engineer team to working closely and timely with suppliers in order to maintain its product in high standard of quality
- The Group only offer credit period for customers with long term relationship and well credit record. Most of the customers are traded on 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 licensors 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

Interests and Short Positions of Directors and Chief Executive in the Shares, Underlying Shares and Debentures of the Company

As at 30 September 2020, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571), which were required 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 are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Nature of interest/ Holding capacity	Number of ordinary shares held	Percentage of issued share capital of the Company (Note 1)
Mr. Li Wai Keung ("Mr. Li") (Note 1)	Interest of a controlled corporation	485,000,000 (L) (Note 2)	48.50%

Notes:

1. Mr. Li is wholly and beneficially interested in the said shares through his wholly owned Company, Infinite Force Holdings Ltd ("Infinite Force"), which is the beneficial owner of 485,000,000 Shares.
2. The letter "L" denotes the person's long position in the Shares.

Save as disclosed above, as at 30 September 2020, none of the Directors or chief executive of the Company had any other interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Interests and Short Positions of Substantial Shareholders in the Shares, Underlying Shares and Debentures of the Company

As at 30 September 2020, person (other than the Directors) who had interests or short positions in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital, was recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholders	Nature of interest/ Holding capacity	Number of ordinary shares held	Percentage of issued share capital of the Company (Note 1)
Infinite Force (Note 1)	Beneficial owner	485,000,000 (L) (Note 2)	48.50%
Ms. Fong Wing Yan ("Ms. Fong") (Note 3)	Interest of spouse	485,000,000 (L) (Note 2)	48.50%

Notes:

1. Infinite Force, a company incorporated in the British Virgin Islands on 18 October 2016 and an investment holding company, is wholly and beneficially owned by Mr. Li who is the chairman and an executive Director of the Company. Therefore, Mr. Li is deemed to be interested in the 525,000,000 Shares held by Infinite Force by virtue of his 100% shareholding interest in Infinite Force.
2. The letter "L" denotes the person's long position in the Shares.
3. Ms. Fong is the spouse of Mr. Li. She is deemed to be interested in the Shares in which Mr. Li is interested under Part XV of the SFO.

Purchase, sale or redemption of listed securities of the Company

The Company had not redeemed any of its ordinary shares during the Period. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's ordinary shares during the Period.

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 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 Period.

Interests of the compliance adviser

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Ample Capital Limited ("Ample Capital") to be the compliance adviser. As informed by Ample Capital, neither Ample Capital nor any of its directors or employees or close associates, has or may have, any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement entered into between the Company and Ample Capital dated 31 May 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, are in compliance with the provisions under Chapter 23 of the GEM Listing Rules.

As of 30 September 2020 and up to the date of this announcement, there were 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 Period except for the deviation from the code provision A.2.1 of the Code. Mr. Li is the chairman of the Board and the chief executive officer of the Company and he has been managing the Group’s business and supervising the overall operations of the Group since 2004. The Directors consider that vesting the roles of the chairman of the Board and the chief executive officer of the Company in Mr. Li is beneficial to the management and business development of the Group and will provide a strong and consistent leadership to the Group. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Audit committee

The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 September 2020 of the Group with the management and is of the view that such unaudited interim condensed consolidated financial statements 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, 13 November 2020

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