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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 2021**

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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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.

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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 2021 (the “**Year**”), together with the comparative figures for the year ended 31 March 2020 (the “**Prior Year**”) as follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4	211,467	206,965
Cost of sales		<u>(173,503)</u>	<u>(164,783)</u>
Gross profit		37,964	42,182
Other income, net	6	6,477	6,254
Selling expenses		(5,649)	(6,882)
Administrative expenses		(25,975)	(24,515)
Bad debts of trade receivables		–	(4,545)
Fair value changes of financial assets at fair value through profit or loss		352	–
Fair value changes of investment properties		302	–
Reversal of ECL allowance on trade receivables, net		182	82
Share of loss of a joint venture		(1,086)	–
Loss on deregistration of a subsidiary		–	<u>(904)</u>
Profit from operations		12,567	11,672
Finance costs	7(a)	<u>(196)</u>	<u>(348)</u>
Profit before taxation	7	12,371	11,324
Income tax	8	<u>(3,694)</u>	<u>(3,874)</u>
Profit for the year attributable to equity shareholders of the Company		<u>8,677</u>	<u>7,450</u>
Earnings per share for profit attributable to equity shareholders of the Company			
— Basic and diluted (in cents)	10	<u>0.87</u>	<u>0.75</u>

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

For the year ended 31 March 2021

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	8,677	7,450
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>		
Recognition to profit or loss on deregistration of a subsidiary	—	(26)
Total comprehensive income for the year attributable to equity shareholders of the Company	<u>8,677</u>	<u>7,424</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Non-current assets			
Investment properties		32,000	–
Property, plant and equipment		21,401	26,299
Interests in joint ventures		1,920	–
Deferred tax assets		128	30
Other receivables		747	1,298
		<u>56,196</u>	<u>27,627</u>
Current assets			
Inventories		1,864	3,249
Trade and bills receivables	<i>11</i>	10,476	7,418
Other receivables		59,691	50,138
Financial assets at fair value through profit or loss		5,329	–
Current tax recoverable		853	1,424
Bank deposits and cash		86,961	115,102
		<u>165,174</u>	<u>177,331</u>
Current liabilities			
Trade and other payables	<i>12</i>	9,317	6,838
Contract liabilities		24,002	15,919
Amount due to a joint venture		3	–
Bank loans		3,487	3,639
Lease liabilities		3,055	3,471
Current tax payable		1,499	1,356
		<u>41,363</u>	<u>31,223</u>
Net current assets		<u>123,811</u>	<u>146,108</u>
Total assets less current liabilities		<u>180,007</u>	<u>173,735</u>

		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		504	2,915
Deferred tax liabilities		632	626
		<u>1,136</u>	<u>3,541</u>
Net assets		<u>178,871</u>	<u>170,194</u>
Capital and reserves			
Share capital	<i>13</i>	10,000	10,000
Reserves		168,871	160,194
Total equity		<u>178,871</u>	<u>170,194</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	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 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 and 1 April 2020	10,000	66,991	-	-	129	93,074	170,194
Changes in equity for 2021:							
Profit and total comprehensive income for the year	-	-	-	-	-	8,677	8,677
Balance at 31 March 2021	10,000	66,991	-	-	129	101,751	178,871

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 2021, but are extracted from those financial statements.

These financial statements have been prepared in accordance with 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**”) and accounting principles generally accepted in Hong Kong. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and 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

Amended HKFRSs that are effective for annual periods beginning on or after 1 April 2020

In the current year, the Group has applied for the first time the following 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 2020:

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

In addition, on 1 April 2020, the Group has early applied the Amendment to HKFRS 16 “Covid-19-Related Rent Concessions” which will be effective for the Group for financial year beginning on or after 1 June 2020.

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

Amendment to HKFRS 16 “Covid-19-Related Rent Concessions”

Amendment to HKFRS 16 only apply to lessee accounting and have no effect on lessor accounting. The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 (“**COVID-19-Related Rent Concessions**”) are lease modification and, instead, account for those rent concessions as if they were not lease modifications.

The practical expedient is only applicable to COVID-19-Related Rent Concessions and only if all of the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- (c) there is no substantive change to other terms and conditions of the lease.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-Related Rent Concessions granted to the Company during the year.

Consequently, rent concessions received have been recognised in “Other income” in profit or loss in the period in which the event or condition that triggers those payments occurred. Total rent concessions recorded for the year ended 31 March 2021 are HK\$219,000 (Note 6). There is no impact on the opening balance of equity at 1 April 2020.

Issued but not yet effective HKFRSs

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 and related amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁵
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ⁶
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020 ²
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination ⁵

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

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective date not yet determined

⁵ Effective or business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁶ Effective for annual periods beginning on or after 1 April 2021

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. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform — Phase 2”

These amendments address the accounting issues that arise when existing Interbank Offered Rate (“**IBORs**”) included in financial instruments are replaced with alternative benchmark risk-free rates.

The amendments mainly affect the following areas:

- Financial instruments (measured at amortised costs) where the basis for determining the contractual cash flows changes as a result of the IBOR reform (“**Reform**”) — providing a practical expedient that an entity will not have to derecognise the carrying amount of financial instruments and recognise an immediate gain or loss for changes solely arising from the Reform, but will instead revise the effective interest rate of the financial instruments.

- Modifications of lease liabilities as a result of the IBOR Reform — providing a similar practical expedient that lessee will remeasure the lease liability by discounting the revised lease payments using a discount rate that reflects the change in the interest rate, instead of applying the original lease modification guidance in HKFRS 16.
- Hedge accounting requirements — permitting changes required by the Reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. In addition, it also provides a temporary relief to entities from having to meet the separately identifiable requirement when an alternative benchmark risk-free rate is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expect the alternative benchmark risk-free rate risk component to become separately identifiable within the next 24 months.
- Additional disclosures — an entity will be required to disclose information about new risks arising from the Reform and how it manages those risks as well as additional disclosure requirements for transitioning from IBORs to alternative benchmark risk-free rates.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 are effective for the annual period beginning on or after 1 April 2021 and apply retrospectively. Earlier application is permitted. The directors of the Group expect that the amendments have no material impact on the consolidated financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”

The amendments to HKAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

In March 2021, HKICPA issued HKFRS Practice Statement 2 “Making Materiality Judgements” to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. HKFRS Practice Statement 2 was subsequently revised to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

The amendments to HKAS 1 are effective for annual reporting period beginning on or after 1 April 2023 and are applied prospectively. Earlier application is permitted. Except for the disclosure of accounting policies may need to be revised to cope with the above changes, the directors of the Group expect that the amendments have no material impact on the consolidated financial statements.

4. REVENUE AND SEGMENT REPORTING

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

	2021	2020
	HK\$'000	HK\$'000
Revenue from contracts within the scope of HKFRS 15		
Sales of ODM toys to license holders	134,054	136,829
Distribution of imported toys and related products	44,297	36,669
Sales of own licensed toys and related products	33,116	33,467
	211,467	206,965

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 2021 and 2020 is set out below:

	Sales of ODM toys		Distribution of imported toys and related products		Sales of own licensed toys and related products		Unallocated		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	134,054	136,829	44,297	36,669	33,116	33,467	-	-	211,467	206,965
Inter-segment revenue	-	270	13,189	7,056	26,504	28,062	-	-	39,693	35,388
Reportable segment revenue	<u>134,054</u>	<u>137,099</u>	<u>57,486</u>	<u>43,725</u>	<u>59,620</u>	<u>61,529</u>	<u>-</u>	<u>-</u>	<u>251,160</u>	<u>242,353</u>
Reportable segment profit/(loss)	<u>3,240</u>	<u>4,498</u>	<u>6,272</u>	<u>4,315</u>	<u>(2,990)</u>	<u>(2,491)</u>	<u>-</u>	<u>-</u>	<u>6,522</u>	<u>6,322</u>
Depreciation for the year	<u>838</u>	<u>1,181</u>	<u>1,586</u>	<u>1,325</u>	<u>7,946</u>	<u>5,290</u>	<u>-</u>	<u>-</u>	<u>10,370</u>	<u>7,796</u>
Reportable segment assets										
Non-current assets (other than financial instruments), including:										
— Interests in joint ventures	-	-	-	-	-	-	1,920	-	1,920	-
Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year										
	<u>597</u>	<u>510</u>	<u>279</u>	<u>3,430</u>	<u>4,984</u>	<u>13,242</u>	<u>-</u>	<u>-</u>	<u>5,860</u>	<u>17,182</u>

5.2 Reconciliations of reportable segment profit

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit		
Reportable segment profit derived from the Group's external customers	6,522	6,322
Other income, net	6,477	6,254
Fair value changes of financial assets at fair value through profit or loss	352	–
Fair value changes of investment properties	302	–
Share of loss of a joint venture	(1,086)	–
Loss on deregistration of a subsidiary	–	(904)
Finance costs	(196)	(348)
	<u>12,371</u>	<u>11,324</u>
Consolidated profit before taxation	<u>12,371</u>	<u>11,324</u>

5.3 Geographic information

The following table sets out information about the geographic location of (i) sales of ODM toys, (ii) distribution of imported toys and related products and (iii) sales 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	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong (place of domicile)	<u>24,313</u>	<u>21,793</u>
Japan	135,108	137,387
The United States	11,727	10,786
People's Republic of China ("PRC")	18,006	13,229
Taiwan	11,295	10,072
Others	<u>11,018</u>	<u>13,698</u>
	<u>187,154</u>	<u>185,172</u>
	<u>211,467</u>	<u>206,965</u>

5.4 Information about major customers

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Group's largest customer	<u>135,108</u>	<u>136,390</u>

6 OTHER INCOME, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income	559	1,313
Compensation income	1,138	1,113
COVID-19-related rent concessions received (<i>Note (i)</i>)	219	–
Net exchange gain	795	605
Freight charge income	199	576
Gain on disposal of investment property	–	500
Gain on disposal of financial assets at fair value through profit or loss	49	–
Government grants (<i>Note (ii)</i>)	1,980	–
Management fee income	1,364	1,838
Rental income	16	114
Sundry income	158	195
	<u>6,477</u>	<u>6,254</u>

Notes:

- (i) As disclosed in Note 3, the Group has early adopted Amendment to HKFRS 16 “Covid-19-Related Rent Concessions” and applies the practical expedients introduced by the amendment to all eligible rent concessions received by the Group during the year ended 31 March 2021.
- (ii) During the year ended 31 March 2021, the Group recognised government grants of HK\$1,980,000 in respect of Covid-19-related subsidies, of which HK\$1,660,000 and HK\$320,000 relates to Employment Support Scheme and Retail Sector Subsidy Scheme under Anti-epidemic Fund provided by the Hong Kong SAR Government respectively.

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(a) Finance costs		
Interest on bank loans	63	169
Interest on lease liabilities	133	179
	<u>196</u>	<u>348</u>
(b) Staff costs (excluding directors' remuneration)		
Salaries, wages and other benefits	7,174	7,334
Contributions to defined contributions retirement plans	336	343
	<u>7,510</u>	<u>7,677</u>
(c) Other items		
Depreciation:		
— Owned assets	6,976	4,635
— Right-of-use assets	3,394	3,161
Total depreciation	<u>10,370</u>	<u>7,796</u>
Lease charges:		
— Short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16 as at 1 April 2019	—	261
Total lease charges	<u>—</u>	<u>261</u>
Auditor's remuneration	750	750
Bad debts of trade receivables	—	4,545
Gain on disposal of investment property	—	(500)
Written off of property, plant and equipment	388	—
Loss on deregistration of a subsidiary	—	904
Reversal of ECL allowance on trade receivables, net	(182)	(82)
Provision for inventories	1,078	200

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	3,942	4,454
Over-provision in respect of prior years	<u>(156)</u>	<u>(433)</u>
	3,786	4,021
Deferred tax		
Origination and reversal of temporary differences	<u>(92)</u>	<u>(147)</u>
	<u>3,694</u>	<u>3,874</u>

The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 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\$2,000,000 of profits of qualifying entities are taxed at 8.25%, and the profits above HK\$2,000,000 are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020.

The provision for Hong Kong Profits Tax for 2021 has also taken into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2020-21. The Company is eligible for the maximum reduction of HK\$10,000 (2020: a maximum reduction of HK\$20,000 was granted for the year of assessment 2019-20 and was taken into account in calculating the provision for 2020).

9. DIVIDENDS

The directors do not recommend the payment of a dividend for the years ended 31 March 2021 and 2020.

10. 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\$8,677,000 (2020: HK\$7,450,000) and weighted average of 1,000,000,000 ordinary shares in issue during the year ended 31 March 2021 (2020: 1,000,000,000 shares).

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 2021 and 2020.

11. TRADE AND BILLS RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables — gross	8,829	7,604
Bills receivables — gross	1,651	—
	<u>10,480</u>	<u>7,604</u>
Less: ECL allowance	(4)	(186)
Trade and bills receivables — net	<u>10,476</u>	<u>7,418</u>

Ageing analysis

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables		
Less than 30 days	8,544	5,451
31 to 60 days	171	705
61 to 90 days	82	1,203
Over 91 days	28	59
	<u>8,825</u>	<u>7,418</u>

Bills receivables are due within 30 to 35 days from the date of billing.

Trade debtors are due within 0 to 60 days from the date of billing.

The movement in the ECL allowance is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At the beginning of the year	186	407
ECL allowance recognised	2	4,548
Amount written off during the year	—	(4,684)
Reversal of ECL allowance recognised	(184)	(85)
At the end of the year	<u>4</u>	<u>186</u>

12. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	4,186	3,653
Other payables and accrued expenses (<i>note (i)</i>)	5,131	3,185
	9,317	6,838

Note:

- (i) Other payables and accrued expenses mainly included accrued salaries and accrued professional fee as at 31 March 2021 of approximately HK\$2,808,000 (2020: HK\$750,000) and HK\$768,000 (2020: HK\$800,000) respectively.

Ageing analysis

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Less than 30 days	4,049	2,269
31 to 60 days	25	15
61 to 90 days	1	1,361
Over 91 days but within one year	111	8
	4,186	3,653

13. SHARE CAPITAL

	Number of shares	Amount HK\$
Authorised ordinary shares of HK\$0.01 each:		
At 31 March 2020, 1 April 2020 and 31 March 2021	10,000,000,000	100,000,000
Issuance of shares:		
At 31 March 2020, 1 April 2020 and 31 March 2021	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.

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 has slightly dropped due to the unpredictable development of COVID-19 and transportation restrictions in almost all countries, but it is maintained in large portion of 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 10 years and 14 years respectively, representing the primary revenue source of the sales of ODM toys. During the year ended 31 March 2021 (the “**Year**”), revenue from sales of ODM toys decreased by approximately 2.0% to approximately HK\$134,054,000 (2020: approximately HK\$136,829,000). Although the suppliers have resume their normal production capacity after the lifting of lockdown in mainland China in the first half of the Year, the scarcity of containers in the right locations and reduction of workforce in many ports caused heavy vessel delays, missed sailings and limitation on volumes that could be loaded which affected the shipment in the second half of the Year.

The profit margin of the sales of ODM toys has declined by approximately 17.7%, which was decreased from 18.1% for the Prior Year to 14.9% for the Year, caused by our suppliers passed the increase of labour and raw material costs to the Group during the year, which 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 period of lockdown due to the COVID-19 crisis has changed consumer behaviour in all areas of life, from how we work to how to we shop to how we entertain ourselves. The increase in distribution of toys may be benefited from the self-isolation lives. The high-end robot figures is continuously top-dollar growth category in the revenue from distribution of imported toys and related products in the Year. The revenue from this segment has increased by approximately 20.8% to HK\$44,297,000 (2020: approximately HK\$36,669,000) 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 decrease in revenue from sales of own licensed toys and related products during the Year by approximately 1.0% to HK\$33,116,000 (2020: approximately HK\$33,467,000).

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 2.2% to approximately HK\$211,467,000 for the Year from approximately HK\$206,965,000 for the Prior Year. The increase in revenue was mainly due to the increase in revenue from distribution of import toys and related products.

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 related products comprising of (i) production costs; (ii) license fee; (iii) depreciation of mould and (iv) others.

Cost of sales increased by approximately 5.3% to approximately HK\$173,503,000 for the Year from approximately HK\$164,783,000 for the Prior Year, including the write down of inventory in aggregate of approximately HK\$1,078,000.

Gross profit

Gross profit decreased by approximately 10.0% to approximately HK\$37,964,000 for the Year from approximately HK\$42,182,000 for the Prior Year. The gross profit margin decreased to approximately 18.0% for the Year from approximately 20.4% 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 3.6% to approximately HK\$6,477,000 for the Year from approximately HK\$6,254,000 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 decreased by approximately 17.9% from approximately HK\$6,882,000 for the Prior Year to approximately HK\$5,649,000 for the Year, mainly due to the outbreak of the COVID-19 which resulted in the cancellation of local and overseas exhibition events during the Year.

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 6.0% from approximately HK\$24,515,000 for the Prior Year to approximately HK\$25,975,000 for the Year. Such increase was mainly due to approximately HK\$2,318,000 trade deposit has been forfeited because of the order cancellation that mould cost has occurred.

Finance costs

The finance costs arose from our bank loans and fees for electronic payment transactions. Finance costs decreased by approximately 43.7% to approximately HK\$196,000 for the Year from approximately HK\$348,000 for the Prior Year. The decrease was mainly due to the decrease in interest on bank loan.

Income tax expenses

Income tax expenses were decreased by approximately 4.6% to approximately HK\$3,694,000 for the Year, as compared to approximately HK\$3,874,000 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

As at 31 March 2021, the Group is holding an investment which was 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, 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.

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 2021, the Group’s gearing ratio was approximately 0.02 times, while it was 0.02 times as at 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 2021, the Group's building with an aggregate carrying value of HK\$6,246,000 were mortgaged to secure banking facilities granted to the Group (31 March 2020: HK\$6,422,000).

Information on employees

As at 31 March 2021, the Group had 39 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 total staff cost (including remuneration of the Directors and mandatory provident funds contributions) for the Year amounted to approximately HK\$14,301,000 (2020: approximately HK\$12,646,000).

Dividend

The Board does not recommend the payment of dividend for the year ended 31 March 2021 (2020: 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. The net proceeds are fully utilised in the Year. The proceeds from the Listing were applied as follows:

	Total planned amount to used	Actual amount utilised up to 31 March 2021	Unutilised balance as at 31 March 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Expanding our product portfolio of own licensed toys and related products	46,200	46,200	–
Enhancing our overseas distribution network	3,600	3,600	–
Further strengthening our manpower	6,000	6,000	–
Further enhancing our information technology system and performing warehouse renovation	2,100	2,100	–
	<hr/>	<hr/>	<hr/>
Total	<u>57,900</u>	<u>57,900</u>	<u>–</u>

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

During the year ended 31 March 2021, 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 2021.

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 2021.

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 2021, the Group had no significant contingent liabilities (2020: Nil).

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 2021 has been reviewed by the Audit Committee.

Scope of Work of Grant Thornton Hong Kong Limited

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 March 2021 as set out in this announcement have been agreed by the Group's external auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2021. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton Hong Kong Limited on this announcement.

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, 25 June 2021

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, Ms. Ren Hongyan 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.