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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 2018

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

GEM has been positioned as a market designed to accommodate 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.

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This announcement, for which the directors (the “Directors”) of AMUSE GROUP HOLDING LIMITED (the “Company” and together with its subsidiaries, the “Group”) 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 2018, together with the comparative figures for the year ended 31 March 2017. Such information should be read in conjunction with the prospectus of the Company dated 18 May 2018 (the “**Prospectus**”), as follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
Revenue	4	132,025	136,888
Cost of sales		<u>(95,733)</u>	<u>(96,766)</u>
Gross profit		36,292	40,122
Other net income	6	3,962	2,187
Selling expenses		(4,358)	(3,838)
Administrative expenses		(12,440)	(11,478)
Listing expenses		(4,068)	(12,501)
Valuation gain on investment property		<u>1,500</u>	<u>1,360</u>
Profit from operations		20,888	15,852
Finance costs	7	<u>(118)</u>	<u>(113)</u>
Profit before taxation		20,770	15,739
Income tax	8	<u>(3,860)</u>	<u>(4,467)</u>
Profit and total comprehensive income for the year	9	<u>16,910</u>	<u>11,272</u>
Earnings per share for profit attributable to owners of the Company			
– Basic and diluted (in cents)	11	<u>2.25</u>	<u>1.50</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	<i>Note</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current assets			
Investment property		10,300	8,800
Property, plant and equipment		15,085	14,147
Deferred tax assets		23	21
		25,408	22,968
Current assets			
Inventories		1,726	2,937
Trade and other receivables	12	35,947	26,782
Amounts due from shareholders		–	–*
Amount due from a director		–	2,678
Current tax recoverable		1,671	–
Cash and cash equivalents		27,541	32,282
		66,885	64,679
Current liabilities			
Trade and other payables	13	13,958	19,107
Bank loans		6,582	6,731
Current tax payable		351	1,434
		20,891	27,272
Net current assets		45,994	37,407
Total assets less current liabilities		71,402	60,375
Non-current liabilities			
Deferred tax liabilities		770	653
NET ASSETS		70,632	59,722
Capital and reserves			
Share capital		–*	–*
Reserves		70,632	59,722
TOTAL EQUITY		70,632	59,722

* 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.

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

The Company is an investment holding company. The 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. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The consolidated results set out in this announcement do not constitute the Group’s statutory financial statements for the year ended 31 March 2018, but are extracted from those financial statements.

The 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. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements. The measurement basis used in the preparation of the Group’s consolidated financial statements is the historical cost basis.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group.

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

4. REVENUE

An analysis of the Group's revenue for the year is as follows:

	Year ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Sales of ODM toys to license holders	87,175	83,888
Distribution of imported toys	24,656	27,580
Sales of own licensed toys	20,194	25,420
	<u>132,025</u>	<u>136,888</u>

5. SEGMENT INFORMATION

(a) 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 2018 and 2017 is set out below.

	Sales of ODM toys		Distribution of imported toys		Sales of own licensed toys		Total	
	Year ended 31 March		Year ended 31 March		Year ended 31 March		Year ended 31 March	
	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	87,175	83,888	24,656	27,580	20,194	25,420	132,025	136,888
Inter-segment revenue	-	-	5,144	6,457	13,546	15,448	18,690	21,905
Reportable segment revenue	<u>87,175</u>	<u>83,888</u>	<u>29,800</u>	<u>34,037</u>	<u>33,740</u>	<u>40,868</u>	<u>150,715</u>	<u>158,793</u>
Reportable segment profit	<u>11,500</u>	<u>10,634</u>	<u>3,474</u>	<u>5,574</u>	<u>4,520</u>	<u>8,598</u>	<u>19,494</u>	<u>24,806</u>
Depreciation for the year	<u>522</u>	<u>606</u>	<u>39</u>	<u>66</u>	<u>2,840</u>	<u>4,296</u>	<u>3,401</u>	<u>4,968</u>

(b) **Reconciliations of reportable segment profit**

	Year ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Profit		
Reportable segment profit derived from the Group's external customers	19,494	24,806
Other net income	3,962	2,187
Listing expenses	(4,068)	(12,501)
Finance costs	(118)	(113)
Valuation gain on investment property	1,500	1,360
	<hr/>	<hr/>
Consolidated profit before taxation	20,770	15,739
	<hr/> <hr/>	<hr/> <hr/>

(c) **Geographic information**

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

	Revenue from external customers	
	Year ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Hong Kong (place of domicile)	21,880	22,896
	<hr/>	<hr/>
Japan	89,510	85,396
The United States	1,763	5,968
Mainland China	6,529	10,622
Others	12,343	12,006
	<hr/>	<hr/>
	110,145	113,992
	<hr/>	<hr/>
	132,025	136,888
	<hr/> <hr/>	<hr/> <hr/>

(d) **Information about major customers**

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

	Year ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Group's largest customer	89,510	85,396
	<hr/> <hr/>	<hr/> <hr/>

6. OTHER NET INCOME

	Year ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Bank interest income	182	53
Net exchange gain/(loss)	1,644	(402)
Gain on disposal on property, plant and equipment	–	70
Rental income	240	60
Freight charge income	786	397
Management fee income	1,093	1,561
Sundry income	17	448
	<u>3,962</u>	<u>2,187</u>

7. FINANCE COSTS

	Year ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Interest on bank loan and overdrafts	118	111
Interest on finance lease	–	2
	<u>118</u>	<u>113</u>

8. INCOME TAX

	Year ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	3,708	4,912
Under/(over)-provision in respect of prior years	37	(170)
	<u>3,745</u>	<u>4,742</u>
Deferred tax		
Origination and reversal of temporary differences	115	(275)
	<u>3,860</u>	<u>4,467</u>

The provision for Hong Kong Profits Tax for 2018 is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the year.

9. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

The Group's profit for the year is stated after charging the following:

	Year ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Auditors' remuneration	780	771
Cost of sales	95,733	96,766
Depreciation of property, plant and equipment	3,401	4,968
Operating lease charges for land and building	1,077	1,197
Impairment losses on trade and other receivables	98	–
Staff costs including directors' emoluments		
Salaries, wages and other benefits	7,677	6,512
Contributions to defined contributions retirement plans	286	256

10. DIVIDENDS

Dividends declared during the year

	Year ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Interim dividends declared	6,000	4,000

During the year ended 31 March 2017, Sentinel International Co., Limited, D4 Toys Co., Limited and Lai Ga Toys Co., Limited had declared interim dividends in the amounts of HK\$2,000,000, HK\$1,000,000 and HK\$1,000,000 respectively to its then shareholder. The amounts were settled through amount due from a director.

During the year ended 31 March 2018, the Company declared interim dividends of HK\$6,000,000, of which HK\$900,000 has been settled through cash and HK\$5,100,000 was settled through amount due from a director.

11. 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\$16,910,000 (2017: HK\$11,272,000) and weighted average of 750,000,000 ordinary shares in issue during the year ended 31 March 2018 (2017: 750,000,000 shares).

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

	Year ended 31 March	
	2018	2017
Issuance of shares upon incorporation	10,000	10,000
Issuance of shares on 7 March 2017	10,000	10,000
Capitalisation issue on 31 May 2018	<u>749,980,000</u>	<u>749,980,000</u>
Weighted average number of shares in issue	<u><u>750,000,000</u></u>	<u><u>750,000,000</u></u>

The Company was incorporated on 16 November 2016 with initial capital of 10,000 shares, and subsequently issued and allotted 10,000 shares on 7 March 2017. In order to present a meaningful earnings per share, the above 20,000 shares are regarded as if they have been in issue since 1 April 2016. The capitalisation took place on 31 May 2018 is deemed to be completed on 1 April 2016 and the weighted average number of shares in 2018 and 2017 have been adjusted accordingly. There was no difference between basic and diluted earnings per share as the Company did not have any dilutive potential shares outstanding during the years ended 31 March 2018 and 2017.

12. TRADE AND OTHER RECEIVABLES

	At 31 March	
	2018	2017
	HK\$'000	HK\$'000
Trade receivables	17,712	13,357
Less: allowances for doubtful debts (<i>note 12(b)</i>)	<u>(98)</u>	<u>–</u>
	17,614	13,357
Other receivables	3,675	2,885
Deposits and prepayments	<u>14,658</u>	<u>10,540</u>
	<u><u>35,947</u></u>	<u><u>26,782</u></u>

Included in prepayments, deposits and other receivables are amounts of HK\$319,000 (2017: HK\$136,000) which are expected to be recovered after more than one year.

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

(a) **Ageing analysis**

Included in debtors, deposits and prepayments are trade and other debtors (net of allowance for doubtful debts) with the following ageing analysis, based on the invoice date, as of the end of the reporting period:

	At 31 March	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 30 days	12,430	10,341
31 to 60 days	1,878	160
61 to 90 days	1,903	985
Over 91 days	1,403	1,871
	<u>17,614</u>	<u>13,357</u>

(b) **Impairment of trade debtors**

Impairment losses in respect of trade and other debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other debtors directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April	–	–
Impairment loss recognised	98	–
At 31 March	<u>98</u>	<u>–</u>

At 31 March 2018, trade debtors of HK\$180,000 (2017: HK\$Nil) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of HK\$98,000 (2017: HK\$Nil) were recognised.

(c) **Trade receivables that are not impaired**

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	At 31 March	
	2018	2017
	HK\$'000	HK\$'000
Neither past due nor impaired	<u>14,107</u>	<u>10,163</u>
Less than 30 days past due	2,081	172
31 to 60 days past due	1,000	1,009
61 to 90 days past due	61	282
Over 91 days past due	<u>283</u>	<u>1,731</u>
	<u>3,425</u>	<u>3,194</u>
	<u>17,532</u>	<u>13,357</u>

Trade debtors that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade debtors that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

13. TRADE AND OTHER PAYABLES

	At 31 March	
	2018	2017
	HK\$'000	HK\$'000
Trade payables	2,893	5,815
Deposit received	1,213	2,557
Other payables and accrued expenses	<u>9,852</u>	<u>10,735</u>
	<u>13,958</u>	<u>19,107</u>

Ageing analysis

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

	At 31 March	
	2018	2017
	HK\$'000	HK\$'000
Less than 30 days	1,819	1,369
31 to 60 days	340	260
61 to 90 days	366	56
Over 91 days but within one year	<u>368</u>	<u>4,130</u>
	<u>2,893</u>	<u>5,815</u>

MARKET OVERVIEW

Hong Kong's ACG figure toy industry players have been gradually moving up the value chain, from a manufacturing role with lower added value to one that incorporate product and process design, production management, and quality control, and thus provides higher added value. Have accumulated affluent industry know-how and established mature value chain network, leading ODM service suppliers have stepped into the phase of brand development, when they set up their own brands for the sales of ACG figure toys. An increasing number of ODM service suppliers are expected to follow such pattern for their future development.

The provision of one-stop solution is considered to be a key trend of Hong Kong's ACG figure toy ODM service market. Leading players have started to integrate different roles which enable them to provide more value-adding services and increase their involvement along the value chain. From a demand-side point of view, such one-stop solution helps enhance brand owners' and licensees' efficiency and cost effectiveness, while from a supply-side point of view, service suppliers are able to increase their bargaining power and profitability, becoming increasingly competitive in the market. Thus value chain integration is considered to be a major trend.

BUSINESS REVIEW

We believe that our dedication to quality toys and competitive pricing over the years has contributed to our long-term relationships with our largest customer group. we have had worked with Sentinel Japan and Wing Co., Ltd. for over 7.5 and 11 years, respectively. We believe that our Group can leverage on our established relationship with this two major customers to further develop new business opportunities in the ACG toy industry.

Our distribution platforms mainly comprised (i) local and overseas distributors; (ii) our online store and flagship store in Hong Kong; and (iii) certain consignment sales channels.

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

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

CUSTOMER RELATIONSHIP

To achieve better coordination of our overseas distributors, we currently intend to establish three overseas representative offices in our sales territories including the US, Taiwan and Singapore. To this end, our Group has established the subsidiary Sentinel US. We consider that the popularity of ACG figures toys is higher in the US, Singapore and Taiwan comparing with that of the PRC, and therefore it is beneficial and prudent to our Group to expand into the ACG toys market in these three geographical regions following the Listing. We have commenced preliminary preparatory works in relation to the establishment of representative office in the US. No subsidiary or branch has been established in Taiwan and Singapore. Our overseas representative offices are expected to perform the following functions: (i) enhancing our promotion and sales efforts in those overseas territories, including organizing marketing events and participating in trade fairs and toy shows; (ii) actively approaching and liaising with potential distributors in those territories for future cooperation; (iii) closely monitoring the sales performance of our distributors in those territories; (iv) facilitating our sales by hiring local staff in those territories to minimize time lags in processing overseas purchase orders and delivery; and (v) providing after sales services to end-consumers in those territories.

FINANCIAL REVIEW

Revenue

Revenue is recognised when goods are delivered at the customers' premises for domestic sales or when goods are shipped on board for export sales which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue is after deduction of any trade discounts.

Revenue decreased by approximately 3.6% to approximately HK\$132,025,000 for the Year from approximately HK\$136,888,000 for the Prior Year. The decrease in revenue was mainly due to the decrease in revenue from (i) distribution of imported toys; and (ii) sales of own licensed toys in the end of year.

Costs of sales

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

Cost of sales decreased by approximately 1.1% to approximately HK\$95,733,000 for the Year from approximately HK\$96,766,000 for the Prior Year, including the written-off and provision of inventory in aggregate of approximately HK\$426,000. If the written-off and provision of inventory was excluded, the cost of sales decreased by approximately 1.5%, which was slightly higher than decrease in sales volume.

Gross Profit

Gross profit decreased by approximately 9.5% to approximately HK\$36,292,000 for the Year from approximately HK\$40,122,000 for the Prior Year. The gross profit margin decreased to approximately 27.5% for the year from approximately 29.3% for the Prior Year. If the written-off and provision of inventory was excluded, the gross profit margin of the Year and the Prior Year were 27.8% and 29.3%, respectively. The decrease in gross profit margin is mainly due to the decrease in the portion of sales of own licensed toys and distribution of imported toys, which have higher gross profit margins as compared with sales of ODM toys.

Other income and gains

Other income and gains increased by approximately 81.2% to approximately HK\$3,962,000 for the Year from approximately HK\$2,187,000 for the Prior Year. The significant increase was mainly derived from the increase in net exchange difference on foreign currency, mainly the Japanese Yen.

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 13.5% from approximately HK\$3,838,000 for the Prior Year to approximately HK\$4,358,000 for the Year, mainly due to (i) an increase in staff costs mainly attributable to increase in number of staff and salary increments to certain employees; and (ii) increased commission expense attributable to the increase in consignment sales.

Administrative Expenses

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

Administrative expenses increased by approximately 8.4% from approximately HK\$11,478,000 for the Prior Year to approximately HK\$12,440,000 for the Year. The increased expense was mainly presented by (i) increase of legal and professional fee mainly represented by the accounting consultancy fee; (ii) increase in staff costs of due to increase in salary and number of staff.

Listing expenses

The total amount of expenses in relation to the Listing is approximately HK\$26,300,000, of which approximately HK\$8,300,000 is directly attributable to the issue of the Offer Shares and is expected to be capitalised and accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$18,000,000, which cannot be so capitalised and accounted for, were or are expected to be recognised in our consolidated statements of profit or loss and other comprehensive income, of which (i) approximately HK\$12,501,000 and HK\$4,068,000 has been charged during the years ended 31 March 2017 and 2018, respectively; (ii) approximately HK\$1,431,000 is expected to be incurred in the year ending 31 March 2019.

Finance costs

The finance costs arose from our bank loans and overdrafts and finance lease liabilities. Finance costs increased by approximately 4.4% to approximately HK\$118,000 for the Year from approximately HK\$113,000 for the Prior Year. The increased cost mainly due to the increase in interests on bank loan and overdrafts attributable to the increase in mortgage interest rate.

Income tax expenses

Income tax expenses were decreased by approximately 13.6% approximately HK\$3,860,000 for the Year, as compared to approximately HK\$4,467,000 for the Prior Year. The decreased expense was mainly because of the decrease in gross profit margin in sales of own licensed toys and distribution of imported toys.

The effective tax rates applied to the Group was approximately 18.6% and approximately 28.4% of profit before tax, respectively for the Year and the Prior Year.

Future plans for material investments and capital assets

As at 31 March 2018, the Group had no specific plan for material investments or capital assets.

Significant investments held

As at 31 March 2018, the Group did not hold any significant investments.

Gearing Ratio

Gearing ratio is calculated based on the total loans and borrowings (including amounts due to related parties, bank borrowings due within one year and obligation under finance lease) divided by total equity at the respective reporting date. As at 31 March 2018, the Group's gearing ratio was approximately 0.09 times, while it was 0.11 times as at 31 March 2017. The slight decrease in gearing ratio from approximately 0.11 times as at 31 March 2017 to

approximately 0.09 times as at 31 March 2018 was mainly due to the repayment of bank loan and the increased of reserve during the year ended 31 March 2018. 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 Group's revenue and cost are in 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 has a foreign currency hedging policy. However, management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions affecting the Group.

During the year, the Group's strategy in monitoring its capital structure, which was unchanged from 2017, was to maintain a sufficient cash level to meet its liquidity requirements.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Charge on Group Assets

As 31 March 2018, the bank loans are secured by mortgages over investment property and leasehold land and buildings with an aggregate carrying value of HK\$17,075,000 (2017: HK\$15,752,000) with the director, Mr. Li Wai Keung's personal guarantee. The personal guarantee given by the director will be released before the listing of the Group on GEM of The Stock Exchange of Hong Kong Limited.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 March 2018 (2017: Nil).

Commitments

The Group did not have any material capital commitment as at 31 March 2018 and 2017.

The Group is the lessee in respect of office premises and warehouses under operating leases. As at 31 March 2018, the Group's total future minimum lease payment under non-cancellable operating leases were approximately HK\$1,323,000 (2017: HK\$1,400,000).

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

During the year ended 31 March 2018, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures saved for those related to the Group Reorganisation (as detailed in the Prospectus). There is no other plan for material investments on capital assets as at 31 March 2018.

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 2018.

Dividend

During the year ended 31 March 2018 (Prior of the Listing), the Group declared interim dividends of HK\$6,000,000 (2017: HK\$4,000,000) to the then Shareholders. The Board does not recommend the payment of a final dividend and resolved not to declare any final dividend for the year ended 31 March 2018.

Use of proceeds

The net listing proceeds from the Listing received by the Company, after deducting underwriting fees and other related expenses, were approximately HK\$58,800,000, which has not been utilised by the Company as at the date of this announcement.

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 14 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 annual report.

Events after the Reporting Period

The following significant transactions took place subsequent to 31 March 2018:

- (a) 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.
- (b) 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.

Audit Committee

The Audit Committee of the Company 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 2018 has been reviewed by the Audit Committee.

Scope of work of KPMG

The financial figures in respect of Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2018 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other 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 the auditor.

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, 29 June 2018

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. Tung Man, Mr. Yu Pui Hang 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.