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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 2019

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

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*This announcement, for which the directors (the “**Directors**”) of AMUSE GROUP HOLDING LIMITED (the “**Company**”) 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 2019 (the “**Year**”), together with the comparative figures for the year ended 31 March 2018 (the “**Prior Year**”) as follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	4	182,583	132,025
Cost of sales		<u>(137,423)</u>	<u>(95,733)</u>
Gross profit		45,160	36,292
Other net income	6	3,278	3,962
Selling expenses		(5,306)	(4,358)
Administrative expenses		(19,974)	(12,440)
Listing expenses		(2,487)	(4,068)
Valuation gain on investment property		<u>–</u>	<u>1,500</u>
Profit from operations		20,671	20,888
Finance costs		<u>(172)</u>	<u>(118)</u>
Profit before taxation	7	20,499	20,770
Income tax	8	<u>(5,378)</u>	<u>(3,860)</u>
Profit for the year		<u>15,121</u>	<u>16,910</u>
Earnings per share for profit attributable to equity shareholders of the Company			
– Basic and diluted (in cents)	10	<u>1.58</u>	<u>2.25</u>

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

For the year ended 31 March 2019

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	15,121	16,910
Other comprehensive income for the year (net of nil tax and reclassification adjustments)		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiary outside Hong Kong	<u>26</u>	<u>–</u>
Total comprehensive income for the year	<u>15,147</u>	<u>16,910</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current assets			
Investment property		10,300	10,300
Property, plant and equipment		15,991	15,085
Deferred tax assets		28	23
		26,319	25,408
Current assets			
Inventories		2,633	1,726
Trade and other receivables	11	49,599	35,947
Current tax recoverable		228	1,671
Bank deposits and cash		110,970	27,541
		163,430	66,885
Current liabilities			
Trade and other payables	12	18,971	13,958
Bank loans		6,374	6,582
Current tax payable		863	351
		26,208	20,891
Net current assets		137,222	45,994
Total assets less current liabilities		163,541	71,402
Non-current liabilities			
Deferred tax liabilities		771	770
NET ASSETS		162,770	70,632
CAPITAL AND RESERVES			
Share capital	13	10,000	—*
Reserves		152,770	70,632
TOTAL EQUITY		162,770	70,632

* The balance represents amount less than HK\$1,000.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

		Share capital	Share Premium	Exchange reserve	Land and buildings revaluation reserve	Merger reserve	Retained profits	Total equity
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2017		–*	–	–	1,242	129	58,351	59,722
Changes in equity for 2018:								
Profit and total comprehensive income for the year		–	–	–	–	–	16,910	16,910
Dividends declared during the year	9	–	–	–	–	–	(6,000)	(6,000)
Balance at 31 March 2018 and 1 April 2018		–*	–	–	1,242	129	69,261	70,632
Changes in equity for 2019:								
Profit for the year		–	–	–	–	–	15,121	15,121
Other comprehensive income		–	–	26	–	–	–	26
Total comprehensive income		–	–	26	–	–	15,121	15,147
Issue of shares	13	2,500	85,000	–	–	–	–	87,500
Capitalisation issue of shares	13	7,500	(7,500)	–	–	–	–	–
Transaction costs attributable to issue of shares		–	(10,509)	–	–	–	–	(10,509)
Balance at 31 March 2019		10,000	66,991	26	1,242	129	84,382	162,770

* The balances represent amount 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 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. 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 2019, but are extracted from those financial statements.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”).

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

3. CHANGES IN ACCOUNTING POLICIES

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

- (a) HKFRS 9, *Financial instruments*
- (b) HKFRS 15, *Revenue from contracts with customers*

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

(a) **HKFRS 9, Financial instruments**

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018. Under the transition method chosen, comparative information is not restated. The adoption of HKFRS 9 does not have any material impact on the Group’s consolidated financial statements.

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

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

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

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

Presentation of contract liabilities

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

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

To reflect these changes in presentation, "trade deposits" amounting to HK\$1,213,000 are now disclosed as "contract liabilities" which are also under "trade and other payables" (note 12) at 1 April 2018, as a result of the adoption of HKFRS 15.

4. REVENUE

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

	2019	2018
	HK\$'000	HK\$'000
Revenue from contracts within the scope of HKFRS 15		
Sales of ODM toys to license holders	103,088	87,175
Distribution of imported toys	54,319	24,656
Sales of own licensed toys	25,176	20,194
	182,583	132,025

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 2019 and 2018 is set out below.

	Sales of ODM toys		Distribution of imported toys		Sales of own licensed toys		Total	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue from external customers	103,088	87,175	54,319	24,656	25,176	20,194	182,583	132,025
Inter-segment revenue	–	–	8,671	5,144	17,551	13,546	26,222	18,690
Reportable segment revenue	<u>103,088</u>	<u>87,175</u>	<u>62,990</u>	<u>29,800</u>	<u>42,727</u>	<u>33,740</u>	<u>208,805</u>	<u>150,715</u>
Reportable segment profit	<u>10,008</u>	<u>11,500</u>	<u>5,348</u>	<u>3,474</u>	<u>4,524</u>	<u>4,520</u>	<u>19,880</u>	<u>19,494</u>
Depreciation for the year	<u>420</u>	<u>522</u>	<u>148</u>	<u>39</u>	<u>3,168</u>	<u>2,840</u>	<u>3,736</u>	<u>3,401</u>

(b) Reconciliations of reportable segment profit

	2019 HK\$'000	2018 HK\$'000
Profit		
Reportable segment profit derived from the Group's external customers	19,880	19,494
Other net income	3,278	3,962
Listing expenses	(2,487)	(4,068)
Finance costs	(172)	(118)
Valuation gain on investment property	–	1,500
Consolidated profit before taxation	<u>20,499</u>	<u>20,770</u>

(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	
	2019	2018
	HK\$'000	HK\$'000
Hong Kong (place of domicile)	<u>33,286</u>	<u>21,880</u>
Japan	104,205	89,510
The United States	4,708	1,763
People's Republic of China ("PRC")	15,321	6,529
Others	25,063	12,343
	<u>149,297</u>	<u>110,145</u>
	182,583	132,025

(d) **Information about major customers**

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

	2019	2018
	HK\$'000	HK\$'000
Group's largest customer	<u>104,200</u>	<u>89,510</u>

6. OTHER NET INCOME

	2019	2018
	HK\$'000	HK\$'000
Bank interest income	1,028	182
Net exchange (loss)/gain	(23)	1,644
Rental income	240	240
Freight charge income	955	786
Management fee income	959	1,093
Sundry income	119	17
	<u>3,278</u>	<u>3,962</u>

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
(a) Finance costs		
Interest on bank loan	<u>172</u>	<u>118</u>
(b) Staff costs (excluding directors' remuneration)		
Salaries, wages and other benefits	7,808	5,244
Contributions to defined contributions retirement plans	<u>337</u>	<u>234</u>
	<u>8,145</u>	<u>5,478</u>
(c) Other items		
Depreciation of property, plant and equipment	3,736	3,401
Auditors' remuneration	1,400	780
Operating lease charges for land and buildings	2,138	1,077
Impairment losses on trade and other receivables	<u>309</u>	<u>98</u>

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

Taxation in the consolidated statement of profit or loss represents:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	4,855	3,708
Under-provision in respect of prior years	<u>527</u>	<u>37</u>
	5,382	3,745
Deferred tax		
Origination and reversal of temporary differences	<u>(4)</u>	<u>115</u>
	<u>5,378</u>	<u>3,860</u>

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the “**Ordinance**”). Under the two-tiered profits tax rate regime, the first \$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits at 16.5%. The Ordinance is effective from the year of assessment 2018-2019.

Accordingly, the provision for Hong Kong Profits Tax for the year ended 31 March 2019 is calculated in accordance with the two-tiered profits tax regime (2018: a single tax rate of 16.5% was applied).

The provision for Hong Kong Profits Tax for 2019 has also taken into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2018-19. The Company is eligible for the maximum reduction of \$20,000 (2018: a maximum reduction of \$30,000 was granted for the year of assessment 2017-18 and was taken into account in calculating the provision for 2018).

9. DIVIDEND

The directors of the Company do not recommended the payment of a dividend for the year ended 31 March 2019 (2018: HK\$6,000,000).

10. EARNINGS PER SHARE

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

	2019	2018
Issued ordinary shares at 1 April 2018 and 2017	20,000	20,000
Capitalisation issue on 31 May 2018	749,980,000	749,980,000
Effect of shares offer on 31 May 2018	208,904,110	–
	<u>958,904,110</u>	<u>750,000,000</u>

In order to present a meaningful earnings per share, the capitalisation took place on 31 May 2018 is deemed to be completed on 1 April 2017 and the weighted average number of shares in 2019 and 2018 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 2019 and 2018.

11. TRADE AND OTHER RECEIVABLES

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables, net of loss allowance	19,132	17,614
Other receivables	1,694	3,675
Deposits and prepayments	28,773	14,658
	<u>49,599</u>	<u>35,947</u>

Included in prepayments, deposits and other receivables are amounts of HK\$538,000 (2018: HK\$319,000) 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.

Ageing analysis

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Less than 30 days	8,652	12,430
31 to 60 days	33	1,878
61 to 90 days	840	1,903
Over 91 days	9,607	1,403
	<u>19,132</u>	<u>17,614</u>

12. TRADE AND OTHER PAYABLES

	31 March 2019 <i>HK\$'000</i>	1 April 2018 <i>HK\$'000</i> <i>(Note)</i>	31 March 2018 <i>HK\$'000</i>
Trade payables	7,571	2,893	2,893
Deposit received	–	–	1,213
Contract liabilities	6,751	1,213	–
Other payables and accrued expenses	4,649	9,852	9,852
	<u>18,971</u>	<u>13,958</u>	<u>13,958</u>

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

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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Less than 30 days	5,752	1,819
31 to 60 days	103	340
61 to 90 days	1,289	366
Over 91 days but within one year	427	368
	<u>7,571</u>	<u>2,893</u>

13. SHARE CAPITAL

	Number of shares	Amount \$
Authorised ordinary shares of HK\$0.01 each:		
At 1 April 2017, 31 March 2018 and 1 April 2018	38,000,000	380,000
Increase in authorised share capital (<i>note (i)</i>)	9,962,000,000	99,620,000
	<u>10,000,000,000</u>	<u>100,000,000</u>
Ordinary shares, issued and fully paid:		
At 1 April 2017, 31 March 2018 and 1 April 2018	20,000	200
Capitalisation issue on 31 May 2018 (<i>note (ii)</i>)	749,980,000	7,499,800
Issuance of shares on 31 May 2018 (<i>note (iii)</i>)	250,000,000	2,500,000
	<u>1,000,000,000</u>	<u>10,000,000</u>

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

Notes:

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

BUSINESS REVIEW

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

Sales of ODM toys

The sales of original design manufacturer (“**ODM**”) toys maintained a healthy growth in Japan, which was instrumental to the sales business of the Group. The Group’s two major customers, namely Sentinel Japan and Wing Co., Ltd., have had work with us for over 8 and 12 years respectively, representing the primary revenue source of the sales of ODM toys. During the reporting period, revenue from sales of ODM toys increased by approximately 18.3% to approximately HK\$103,088,000 (2018: approximately HK\$87,175,000). In light of increased labour costs and costs of raw materials, our suppliers passed some of the increased costs to the Group, which caused a decrease of gross profit margin in the sales of ODM toys of approximately 3.2% during the year, contributing to the main reason for the decrease of the overall gross profit margin for the year ended 31 March 2019.

Distribution of imported toys

As a result of the Group’s efforts in expanding the distribution network as well as the favourable sales of various anime comics games toys, revenue from distribution of imported toys increased significantly by approximately 120.3% to HK\$54,319,000 (2018: approximately HK\$29,656,000) during the Year.

Sales of own licensed toys

The Group applied the “SENTINEL/千值練”, “TOPI” and “FLAME TOYS” brands in developing our own licensed toys during over the years. During the Year, the Group introduced a variety of figures of robot-themed characters with good sales performance, resulting in an increase in revenue from sales of own licensed toys during the Year by approximately 24.7% to HK\$25,176,000 (2018: approximately HK\$20,194,000).

FINANCIAL ANALYSIS

Revenue

Revenue increased by approximately 38.3% to approximately HK\$182,583,000 for the Year from approximately HK\$132,025,000 for the Prior Year. The increase in revenue was mainly due to the increase in revenue from (i) distribution of imported toys; (ii) sales of own licensed toys; and (iii) sales of ODM toys to license holders.

Cost of sales

Cost of sales increased by approximately 43.5% to approximately HK\$137,423,000 for the Year from approximately HK\$95,733,000 for the Prior Year, including the write down of inventory in aggregate of approximately HK\$50,000.

Gross profit

Gross profit increased by approximately 24.4% to approximately HK\$45,160,000 for the Year from approximately HK\$36,292,000 for the Prior Year. The gross profit margin decreased to approximately 24.7% for the Year from approximately 27.5% for the Prior Year. The decrease in gross profit margin is mainly due to the increase of labour and raw materials, which lead to the increase of the cost of ODM toys.

Other net income

Other net income gains decreased by approximately 17.3% to approximately HK\$3,278,000 for the Year from approximately HK\$3,962,000 for the Prior Year. Such decrease was mainly due to the foreign exchange loss on cash and bank deposits denominated in Renminbi (“RMB”).

Selling expenses

Selling expenses increased by approximately 21.8% from approximately 4,358,000 for the Prior Year to approximately HK\$5,306,000 for the Year, mainly due to (i) an increase in the number of sales staff; and (ii) increased postage and delivery fee.

Administrative expenses

Administrative expenses increased by approximately 60.6% from approximately HK\$12,440,000 for the Prior Year to approximately HK\$19,974,000 for the Year. Such increase was mainly due to (i) various post-listing expenses; (ii) increase in staff costs of due to increase in salary and number of staff; and (iii) the additional expenses in respect of the new offices in Hong Kong and Mainland China.

Finance costs

The finance costs arose from our bank loans. Finance costs increased by approximately 45.8% to approximately HK\$172,000 for the Year from approximately HK\$118,000 for the Prior Year. The increased cost mainly due to the increase in mortgage interest rate.

Income tax expenses

Income tax expenses were increased by approximately 39.3% to approximately HK\$5,378,000 for the Year, as compared to approximately HK\$3,860,000 for the Prior Year.

Future plans for material investments and capital assets

Expect for those included in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Group had no definite future plans for material investments and capital assets.

Significant investments held

As at 31 March 2019, the Group did not hold any significant investments.

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 2019, the Group’s gearing ratio was approximately 0.04 times, while it was 0.09 times as at 31 March 2018. The decrease in gearing ratio from approximately 0.09 times as at 31 March 2018 to approximately 0.04 times as at 31 March 2019 was mainly due to the increase of reserve during the year ended 31 March 2019. 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.

Charge on group’s assets

At 31 March 2019, the Group’s investment property and leasehold land and building with an aggregate carrying value of HK\$16,899,000 were mortgaged to secure banking facilities granted to the Group (31 March 2018: approximately HK\$17,075,000).

Information on employees

As at 31 March 2019, the Group had 44 employees (31 March 2018: 25) working in Hong Kong and PRC. 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\$12,770,000 (2018: approximately HK\$7,963,000).

Dividend

The Board does not recommend the payment of dividend for the year ended 31 March 2019 (2018: HK\$6,000,000).

Use of Proceeds

The Shares were listed on GEM on 31 May 2018. The net proceeds from the Listing (after deducting the underwriting fees and related expenses) amounted to approximately HK\$58 million. Up to 31 March 2019, the actual use of proceeds and an unutilised proceeds were approximately HK\$12 million and HK\$46 million, respectively. The use proceeds from the Listing were applied as follows:

	Total planned amount to used HK\$'000	Actual amount utilised up to 31 March 2019 HK\$'000	Unutilised balance as at 31 March 2019 HK\$'000
Expanding our product portfolio of own licensed toys	46,200	8,039	38,161
Enhancing our overseas distribution network	3,600	1,167	2,433
Further strengthening our manpower	6,000	1,947	4,053
Further enhancing our information technology system and performing warehouse renovation	2,100	623	1,477
Total	<u>57,900</u>	<u>11,776</u>	<u>46,124</u>

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

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

During the year ended 31 March 2019, 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 2019.

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 2019.

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 2019, the Group had no significant contingent liabilities (2018: Nil).

Event After the Reporting Period

There is no significant event of the Group after the reporting period.

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 2019 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, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and the related notes thereto for the year ended 31 March 2019 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, 25 June 2019

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; Mr. Na Zhiming as non-executive Director; 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.