Amuse Group Holding Limited
佰悅集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8545)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of Amuse Group Holding Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk, the GEM website at www.hkgem.com, on the "Latest Company Announcements" page for at least seven days from the date of its posting. This announcement will also be published on the Company's website at www.amusegroupholding.com.

The board of Directors (the "Board") of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2019 (the "Period"), together with the comparative figures for the six months ended 30 September 2018 (the "Corresponding Period"), which have not been audited nor reviewed by the independent auditor but have been reviewed and approved by the audit committee of the Company (the "Audit Committee"), are set out as follows:

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

For the six months ended 30 September 2019

		Six months ended 30 September	
		2019	2018
			(Note)
	Notes	***HK$'000***	*HK$'000*
Revenue	4	**108,892**	81,819
Cost of sales		**(87,157)**	(62,514)
Gross profit		**21,735**	19,305
Other net income	5	**3,443**	655
Selling expenses		**(3,847)**	(3,249)
Administrative expenses		**(16,353)**	(7,984)
Loss on deregistration of a subsidiary		**(904)**	–
Listing expenses		**–**	(2,487)
Valuation gain on Investment property		**–**	300
Profit from operations		**4,074**	6,540
Finance costs	6(a)	**(192)**	(84)
Profit before taxation	6	**3,882**	6,456
Income tax expense	7	**(1,726)**	(1,459)
Profit for the period		**2,156**	4,997
Earnings per share			
– Basic and diluted *(HK cents)*	8	**0.22**	0.54
Profit for the period		**2,156**	4,997
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		**–**	2
Release upon deregistration of a subsidiary		**(26)**	–
Total comprehensive income for the period		**2,130**	4,999

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	Note	At 30 September 2019 HK$'000	At 31 March 2019 (Note) HK$'000
Non-current assets			
Investment property	9	**–**	10,300
Property, plant and equipment	9	**21,716**	15,991
Deferred tax assets		**28**	28
		21,744	26,319
Current assets			
Inventories		**3,655**	2,633
Trade and other receivables	10	**67,019**	49,599
Current tax recoverable		**–**	228
Bank deposits and cash	11	**111,028**	110,970
		181,702	163,430
Current liabilities			
Trade and other payables	12	**25,729**	18,971
Bank loans		**3,702**	6,374
Lease liabilities		**3,020**	–
Current tax payable		**2,361**	863
		34,812	26,208
Net current assets		**146,890**	137,222
Total assets less current liabilities		**168,634**	163,541
Non-current liabilities			
Deferred tax liabilities		**771**	771
Lease liabilities		**2,963**	–
		3,734	771
NET ASSETS		**164,900**	162,770
Capital and reserves			
Share capital		**10,000**	10,000
Reserves		**154,900**	152,770
TOTAL EQUITY		**164,900**	162,770

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Share capital	Share premium	Exchange reserve	Land and buildings revaluation reserve	Merger reserve	Retained earnings	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 April 2018	–*	–	–	1,242	129	69,261	70,632
Profit for the period	–	–	–	–	–	4,997	4,997
Other comprehensive income	–	–	2	–	–	–	2
Total comprehensive income	–	–	2	–	–	4,997	4,999
Issue of shares	2,500	85,000	–	–	–	–	87,500
Capitalisation issue of shares	7,500	(7,500)	–	–	–	–	–
Transaction costs directly attributable to issue of shares	–	(10,509)	–	–	–	–	(10,509)
Balance at 30 September 2018 *(Note)*	10,000	66,991	2	1,242	129	74,258	152,622
Balance at 1 April 2019	**10,000**	**66,991**	**26**	**1,242**	**129**	**84,382**	**162,770**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**2,156**	**2,156**
Other comprehensive income	**–**	**–**	**(26)**	**–**	**–**	**–**	**(26)**
Total comprehensive income	**–**	**–**	**(26)**	**–**	**–**	**2,156**	**2,130**
Release upon disposal of a investment property	**–**	**–**	**–**	**(1,242)**	**–**	**1,242**	**–**
Balance at 30 September 2019	**10,000**	**66,991**	**–**	**–**	**129**	**87,780**	**164,900**

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

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2019

		Six months ended 30 September	
		2019	2018
			(Note)
	Note	***HK$'000***	*HK$'000*
Net cash used in operating activities		**(2,901)**	(2,443)
Investing activities			
Interest received		**577**	157
Decrease/(increase) in bank deposits with original maturities over three months		**14,204**	(44,000)
Proceeds from sale of investment property		**10,800**	–
Payment for the purchase of equipment, furniture and fixtures		**(3,658)**	(529)
Net cash generated from/ (used in) investing activities		**21,923**	(44,372)
Financing activities			
Repayment of bank loans		**(2,672)**	(104)
Capital element of lease rental paid		**(1,475)**	–
Interest element of lease rental paid		**(86)**	–
Listing expenses paid		**–**	(7,113)
Interest paid		**(106)**	(84)
Proceeds from issuance of shares		**–**	87,500
Net cash (used in)/generated from financing activities		**(4,339)**	80,199
Net increase in cash and cash equivalents		**14,683**	33,384
Cash and cash equivalents at the beginning of period		**93,512**	27,541
Effect of foreign exchange rate changes		**(421)**	(897)
Cash and cash equivalents at the end of period	11	**107,774**	60,028

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. GENERAL INFORMATION

The Company is incorporated in the Cayman Islands with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands.

The Company is an investment holding company. The Group is principally engaged in design, marketing, distribution and retail sales of toys and related products.

The measurement basis used in the preparation of the unaudited condensed consolidated financial statements is the historical cost basis except that the investment property is stated at fair value. The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK$") and all figures are rounded to the nearest thousand ("HK$'000") unless otherwise indicated.

2. BASIS OF PREPARATION

The interim results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 September 2019 but are extracted from that interim financial report.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the GEM Listing Rules, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 14 November 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 3.

3. CHANGES IN ACCOUNTING POLICES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 15.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically laptops or office equipments. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the right-of-use assets that meet the definition of investment property are carried at fair value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purposes as at 31 March 2019. Consequentially, these leasehold investment properties continue to be carried at fair value.

(iv) Lessor accounting

The Group leases out the investment property referred to in paragraph (a)(iii) above as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

(b) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 2.95%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020; and

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as disclosed in note 15 as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	1 April 2019 *HK$'000*
Operating lease commitments at 31 March 2019	3,901
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(408)
Less: commitments relating to leases contracted but not commenced at 1 April 2019	(1,274)
	2,219
Less: total future interest expenses	(42)
Total lease liabilities recognised at 1 April 2019	2,177

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 March 2019.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and presents lease liabilities separately in the consolidated statement of financial position.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 March 2019 *HK$'000*	**Capitalisation of operating lease contracts** *HK$'000*	**Carrying amount at 1 April 2019** *HK$'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	15,991	2,177	18,168
Total non-current assets	26,319	2,177	28,496
Lease liabilities (current)	–	1,618	1,618
Current liabilities	26,208	1,618	27,826
Net current assets	137,222	(1,618)	135,604
Total assets less current liabilities	163,541	559	164,100
Lease liabilities (non-current)	–	559	559
Total non-current liabilities	771	559	1,330
Net assets	162,770	–	162,770

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 September 2019	At 1 April 2019
	HK$'000	*HK$'000*
Included in "Property, plant and equipment":		
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost	**11,645**	11,787
Other properties leased for own use, carried at depreciated cost	**5,795**	2,177
	17,440	13,964
Ownership interests in leasehold investment property, carried at fair value	**–**	10,300
	17,440	24,264

(c) ***Lease liabilities***

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 September 2019		At 1 April 2019	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Within 1 year	**3,020**	**3,148**	1,618	1,657
After 1 year but within 2 years	**1,988**	**2,042**	559	562
After 2 years but within 5 years	**975**	**984**	–	–
	2,963	**3,026**	559	562
	5,983	**6,174**	2,177	2,219
Less: total future interest expenses		**(191)**		(42)
Present value of lease liabilities		**5,983**		2,177

4. REVENUE AND BUSINESS SEGMENT

(a) Revenue

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

The Group's revenue comprised the sales of Original Design Manufacturing ("ODM") toys to license holders, sale of own licensed toys and distribution of imported toys and is analysed by principal activities as follows:

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Sales of ODM toys to license holders	**74,242**	45,010
Distribution of imported toys	**21,994**	30,956
Sales of own licensed toys	**12,656**	5,853
	108,892	81,819

The Group's customers are primarily distributors based in Japan. The percentage of revenue contributed by the Group's five largest customers for the Period amounted to approximately 77% (the Corresponding Period: 78%). Further details regarding the Group's principal activities are disclosed below.

The Group manages its business by three divisions, namely sale of ODM toys, sale of own licensed toys and distribution of imported toys. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the above three reportable segments. No operating segments have been aggregated to form the above reportable segments.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 September 2019 and 2018 is set out below.

	Sales of ODM toys Six months ended 30 September		Distribution of imported toys Six months ended 30 September		Sales of own licensed toys Six months ended 30 September		Total Six months ended 30 September	
	2019	2018 *(Note)*	**2019**	2018 *(Note)*	**2019**	2018 *(Note)*	**2019**	2018 *(Note)*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**74,242**	45,010	**21,994**	30,956	**12,656**	5,853	**108,892**	81,819
Inter-segment revenue	**–**	–	**4,856**	4,225	**12,347**	3,737	**17,203**	7,962
Reportable segment revenue	**74,242**	45,010	**26,850**	35,181	**25,003**	9,590	**126,095**	89,781
Reportable segment profit/(loss)	**2,677**	3,321	**433**	3,827	**(1,575)**	924	**1,535**	8,072
Depreciation for the year	**1,174**	176	**590**	9	**2,438**	1,774	**4,202**	1,959

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

(b) Reconciliations of reportable segment profit

	Six months ended 30 September 2019 *HK$'000*	2018 *(Note)* *HK$'000*
Profit		
Reportable segment profit derived from the Group's external customers	**1,535**	8,072
Other net income	**3,443**	655
Listing expenses	**–**	(2,487)
Finance costs	**(192)**	(84)
Valuation gain on investment property	**–**	300
Loss on deregistration of a subsidiary	**(904)**	–
Consolidated profit before taxation	**3,882**	6,456

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

(c) Information about major customers

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

	Six months ended 30 September 2019 *HK$'000*	2018 *HK$'000*
Group's largest customer	**73,986**	45,613

5. OTHER NET INCOME

	Six months ended 30 September 2019 *HK$'000*	2018 *HK$'000*
Bank interest income	**577**	393
Net exchange loss	**(36)**	(839)
Gain on disposal of a investment property	**500**	–
Rental income	**114**	120
Freight charge income	**1,022**	414
Management fee income	**890**	468
Sundry income	**376**	99
	3,443	655

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		Six months ended 30 September	
		2019	2018
			(Note)
		HK$'000	*HK$'000*
(a)	**Finance costs**		
	Interest on bank loan and overdrafts	**106**	84
	Interest on lease liabilities	**86**	–
		192	84
(b)	**Staff costs (including directors' remuneration)**		
	Salaries, wages and other benefits	**6,675**	4,877
	Contributions to defined contributions retirement plans	**200**	140
		6,875	5,017
(c)	**Other items**		
	Depreciation of property, plant and equipment	**2,405**	1,959
	Depreciation of right-of-use assets	**1,797**	–
	Auditors' remuneration	**700**	650
	Impairment losses on trade receivables	**1,900**	738

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

7. INCOME TAX

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax	**1,726**	1,469
Deferred tax	**–**	(10)
	1,726	1,459

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for each of the reporting period.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$2,156,000 (the Corresponding Period: 4,997,000) and weighted average of 1,000,000,000 ordinary shares in issue during the Period (the Corresponding Period: 917,582,418 shares).

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

	At 30 September	
	2019	2018
Issued ordinary share at 1 April	**1,000,000,000**	20,000
Capitalisation issue on 31 May 2018	**–**	749,980,000
Effect of shares offer on 31 May 2018	**–**	167,582,418
Weighted average number of shares at 30 September	**1,000,000,000**	917,582,418

The capitalisation issue took place on 31 May 2018 is deemed to be completed on 1 April 2018 and the weighted average number of shares at 30 September 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 Period and the Corresponding Period.

9 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

As discussed in note 3, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in note 3.

During the six months ended 30 September 2019, the Group entered into a number of lease agreements for use of retail stores, and therefore recognised the additions to right-of-use assets of $5,854,000. The leases of retail stores contain variable lease payment terms that are based on sales generated from the retail stores and minimum annual lease payment terms that are fixed. These payment terms are common in retail stores in Hong Kong where the Group operates.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 September 2019, the Group acquired items of plant and machinery with a cost of $3,658,000 (six months ended 30 September 2018: $529,000).

Investment property with carrying amount of $10,300,000 was disposed of during the six months ended 30 September 2019 (six months ended 30 September 2018: $Nil), resulting in a gain on disposal of $500,000 (six months ended 30 September 2018: $Nil).

10. TRADE AND OTHER RECEIVABLES

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

	At 30 September 2019	At 31 March 2019
	HK$'000	*HK$'000*
Less than 30 days	**9,323**	8,652
31 to 60 days	**5,961**	33
61 to 90 days	**2,483**	840
Over 91 days	**2,894**	9,607
Trade receivables, net of loss allowance	**20,661**	19,132
Other receivables	**2,275**	1,694
Deposits and prepayments	**44,083**	28,773
	67,019	49,599

11. BANK DEPOSITS AND CASH

Bank deposits and cash comprise:

	At 30 September 2019	At 31 March 2019
	HK$'000	*HK$'000*
Cash at bank and on hand	**57,505**	56,512
Bank deposits with original maturities within three months	**50,269**	37,000
Cash and cash equivalents in the condensed consolidated cash flow statement	**107,774**	93,512
Bank deposits with original maturities over three months	**3,254**	17,458
	111,028	110,970

12. TRADE AND OTHER PAYABLES

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 30 September 2019 *HK$'000*	At 31 March 2019 *HK$'000*
Less than 30 days	**7,453**	5,752
31 to 60 days	**314**	103
61 to 90 days	**493**	1,289
Over 91 days but within one year	**21**	427
Trade payables	**8,281**	7,571
Contract liabilities	**13,301**	6,751
Other payables and accrued expenses	**4,147**	4,649
	25,729	18,971

13. DIVIDENDS

No dividends were paid or declared by the Company or any of the subsidiaries during the six months ended 30 September 2019 and 30 September 2018.

14. FAIR VALUE MEASUREMENT

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 30 September 2019 and 31 March 2019.

15. COMMITMENTS

At 31 March 2019, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	HK$'000
Within 1 year	2,558
After 1 year but within 5 years	1,343
	3,901

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to these leases (see note 3). From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 3.

16. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the change in accounting policies are disclosed in note 3.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

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

Business Review

For the Period as compared to the Corresponding Period, the Group's revenue increased by approximately 33.1% while gross profit increased by approximately 12.6%.

Business in the sales of ODM toys to license holder

The Group's revenue in the sales of ODM toys to license holders increased by approximately 64.9% to approximately HK$74,242,000 (the Corresponding Period: approximately HK$45,010,000).

The increase in revenue from this segment was primarily because the number of product item and sold quantity were highly raised in the Period.

Business in the distribution of imported toys

The Group's revenue in the distribution of imported toys substantially decreased by approximately 29.0% to approximately HK$21,994,000 (the Corresponding Period: approximately HK$30,956,000).

The decrease in revenue from the distribution of imported toys was mainly because two new high-end robot figures were released and delivered in the Corresponding Period.

Business in the sales of own licensed toys

The Group's revenue in the sales of own licensed toys increased by approximately 116.2% to approximately HK$12,656,000 (the Corresponding Period: approximately HK$5,853,000).

The increase in revenue from the sales of own licensed toys was primarily because couple of high end figure models were newly released in the Period, which constantly provide stable revenue to the Group.

Financial Analysis

Revenue

Revenue increased by approximately 33.1% to approximately HK$108,892,000 for the Period from approximately HK$81,819,000 for the Corresponding Period. The increase in revenue was mainly due to the increase in revenue from (i) sales of own licensed toys; and (ii) sales of the ODM toys in the Period.

Cost of sales

Cost of sales increased by approximately 39.4% to approximately HK$87,157,000 for the Period from approximately HK$62,514,000 for the Corresponding Period. The increase of cost of sales is align with the increase of revenue.

Gross profit

Gross profit increased by approximately 12.6% to approximately HK$21,735,000 for the Period from approximately HK$19,305,000 for the Corresponding Period. The gross profit margin decreased to 20.0% for the Period from approximately 23.6% for the Corresponding Period due to the increase in sales proportion of sale of ODM toys which has lower gross margin in current period in the three reportable segments.

Other net income

Other income increased by approximately 425.6% to approximately HK$3,443,000 for the Period from approximately HK$655,000 for the Corresponding Period.

The increase was mainly due to (i) gain on disposal of investment property, (ii) the additional freight charge income, and (iii) management fee income.

Selling expenses

Selling expenses increased by approximately 18.4% to approximately HK$3,847,000 for the Period from approximately HK$3,249,000 for the Corresponding Period, mainly due to (i) the increase of selling staff; and (ii) the increase of postage and delivery fee.

Administrative expenses

Administrative expenses increased by approximately 104.8% to approximately HK$16,353,000 for the Period from approximately HK$7,984,000 for the Corresponding Period. The increased expense was mainly presented by (i) increasing in staff costs due to increase in salary and number of staff; and (ii) additional expense for the office in Mainland China.

Event after the reporting period

There is no significant event subsequent to 30 September 2019 which would materially affect the Group's operating and financial performance.

Liquidity, financial resources and funding

As at 30 September 2019, we had cash and bank deposits of approximately HK$111,028,000 (31 March 2019: approximately HK$110,970,000), which were cash at banks and on hand and bank deposits.

As at 30 September 2019, no bank deposit was pledged (31 March 2019: nil).

As at 30 September 2019, the Group's indebtedness comprised bank loans of HK$3,702,000 (31 March 2019: HK$6,374,000) and lease liabilities of HK$5,983,000 (31 March 2019: nil).

The Group's gearing ratio, which is calculated by total debt (defined as bank and other debts incurred not in the ordinary course of business) divided by total equity, was 0.06 times as at 30 September 2019 (31 March 2019: 0.04 times).

Capital structure

As at 30 September 2019 and 31 March 2019, the capital structure of our Company comprised issued share capital and reserves.

Future plans for material investments and capital assets

Save as disclosed in the prospectus of the Company dated 18 May 2018 (the "Prospectus"), the Group did not have other plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

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

Significant investments

As at 30 September 2019 , the Group did not hold any significant investments (31 March 2019: nil).

Contingent liabilities

The Group had no material contingent liabilities as at 30 September 2019 (31 March 2019: nil).

Exposure to exchange rate fluctuation

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong with most of the transactions denominated and settled in HK$.

During the Period, the Group's exposure to foreign currency risk primarily arose from certain financial instruments including trade and other receivables, cash and cash equivalents and trade and other payables which are denominated in JPY, RMB and/or US$. During the Period and the Corresponding Period, the Group did not adopt any hedging strategy but the management continuously monitored the foreign exchange risk exposure on a case-by-case basis. The Group did not use any hedging contracts to engage in speculative activities during the Period and the Corresponding Period.

Charge on group's assets

At 30 September 2019, the Group's leasehold land and building with an aggregate carrying value of HK$6,510,000 were mortgaged to secure banking facilities granted to the Group (31 March 2019: HK$16,899,000).

Information on employees

As at 30 September 2019, the Group had 42 employees (31 March 2019: 44) working in Hong Kong. Employees are remunerated according to their performance and work experience. On top of basic salary, commission, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance. The remuneration of the Directors for the Period amounted to approximately HK$2,985,000 (the Corresponding Period: approximately HK$1,556,000).

Interim dividend

The Board does not recommend the payment of interim dividend for the Period (the Corresponding Period: Nil).

Use of Proceeds

The ordinary share(s) of our Company (the "Shares") were listed on GEM on 31 May 2018. The net proceeds from the Listing of our Shares on GEM (the "Listing") (after deducting the underwriting fees and related expenses) amounted to approximately HK$58 million. Up to 30 September 2019, the actual use of proceeds and an unutilised proceeds were approximately HK$23,387,000 and HK$34,513,000, respectively. The proceeds from the Listing were applied as follows:

	Total planned amount to used	**Actual amount utilised up to 30 September 2019**	**Unutilised balance as at 30 September 2019**
	HK$'000	*HK$'000*	*HK$'000*
Expanding our product portfolio of own licensed toys	46,200	16,866	29,334
Enhancing our overseas distribution network	3,600	2,792	808
Further strengthening our manpower	6,000	3,043	2,957
Further enhancing our information technology system and performing warehouse renovation	2,100	686	1,414
Total	57,900	23,387	34,513

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.

Principal risks and uncertainties

The business operations and results of the Group may be affected by various factors, some of which are external causes and some are inherent to the business. The principal risks and uncertainties are summarised as follows:

Principal risks and uncertainties facing the Group	***Directors' approach to addressing these risks and uncertainties***
• Failure to obtain new orders could materially affect the Group's financial performance	• The Group has constantly built up good relationships with key customers and actively solicited new customers
• The Group relies on the performance of senior management team	• The Group has constantly provided training to senior management team to enhance their performance
• Ineffective quality control over the suppliers and products may result in negative impact on the business and operation of our Group	• The Group has professional and well trained engineer team to working closely and timely with suppliers in order to maintain our product in high standard of quality
• We may be exposed to delays and/or defaults of payments by our customers which would adversely affect our cash flows or financial results	• The Group only offer credit period for customers with long term relationship and well credit record. Most of the customers are traded on cash basis
• Failure to renew existing license rights and/or obtain new license rights for our own licensed toys will have adverse impact on financial performance on our Group	• The Group has a dedicated team to work closely with existing licenser, obtained outstanding results in the joint events with the licensers. The Group has kept up good relationship and also developing new relationship with potential new licensers in the market

Outlook

The Group will make steady progress in accordance with the plans formulated before the Listing and its actual operational conditions, so as to facilitate effective implementation of the business objectives of the Company and bring benefits from it.

The Board will proactively seek potential business opportunities and explore the possibility to expand the Group's network not limited to ACG figure toys market, that will broaden the sources of income of the Group and enhance value to the shareholders.

In the future, the Board believes that the Group will achieve another breakthrough in terms of its business performance by leveraging on its advantages, in particular with its wide variety of high-end toys product.

OTHER INFORMATION

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

As at 30 September 2019, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Nature of interest/ Holding capacity	Number of ordinary shares held	Percentage of issued share capital of the Company *(Note 1)*
Mr. Li Wai Keung ("Mr. Li") *(Note 1)*	Interest of a controlled corporation	525,000,000 (L) *(Notes 2)*	52.50%

Notes:

1. Mr. Li is wholly and beneficially interested in the said shares through his wholly owned Company, Infinite Force Holdings Ltd ("Infinite Force"), which is the beneficial owner of 525,000,000 Shares.

2. The letter "L" denotes the person's long position in the Shares.

Save as disclosed above, as at 30 September 2019, none of the Directors or chief executive of the Company had any other interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

As at 30 September 2019, person (other than the directors of the Company) who had interests or short positions in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital, was recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholders	Nature of interest/ Holding capacity	Number of ordinary shares held	Percentage of issued share capital of the Company *(Note 1)*
Infinite Force *(Note 1)*	Beneficial owner	525,000,000 (L) *(Notes 1, 2)*	52.50%
Ms. Fong Wing Yan ("Ms. Fong")	Interest of spouse	525,000,000 (L) *(Notes 2, 3)*	52.50%
Quasar Global Selection SPC Fund-Shenzhen Qianhai Glory Fund SP *(Note 4)*	Beneficial Owner	112,500,000 (L) *(Note 4)*	11.25%
Beta Breakers Holdings Limited *(Note 4)*	Trustee	112,500,000 (L) *(Note 4)*	11.25%

Notes:

1. Infinite Force, a company incorporated in the British Virgin Islands on 18 October 2016 and an investment holding company, is wholly and beneficially owned by Mr. Li who is the chairman and an executive Director of the Company. Therefore, Mr. Li is deemed to be interested in the 525,000,000 Shares held by Infinite Force by virtue of his 100% shareholding interest in Infinite Force.

2. The letter "L" denotes the person's long position in the Shares.

3. Ms. Fong is the spouse of Mr. Li. She is deemed to be interested in the Shares in which Mr. Li is interested under Part XV of the SFO.

4. Beta Breakers Holdings Limited holds 112,500,000 shares of the Company in trust for Quasar Global Selection SPC Fund-Shenzhen Qianhai Glory Fund SP, who is the substantial shareholder of the Company.

Purchase, sale or redemption of listed securities of the company

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

Directors' and controlling shareholders' interest in competing business

None of the Directors, the directors of the Company's subsidiaries, the Company's controlling shareholders, or any of their respective close associates, as defined in the GEM Listing Rules, has interest in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has any other conflict of interests with the Group (other than being a Director and/or a director of its subsidiaries and their respective associates) during the Period.

Directors' securities transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the Period.

Interests of the compliance adviser

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Ample Capital Limited ("Ample Capital") to be the compliance adviser. As informed by Ample Capital, neither Ample Capital nor any of its directors or employees or close associates, has or may have, any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement entered into between the Company and Ample Capital dated 31 May 2018.

Share Option Scheme

The Company's share option scheme (the "Share Option Scheme") was approved by a resolution of the Company's shareholders passed on 11 May 2018. The principal terms of the Share Option Scheme, a summary of which is set out in Appendix VI to the Prospectus, are in compliance with the provisions under Chapter 23 of the GEM Listing Rules.

As of 30 September 2019 and up to the date of this announcement, there were no options granted, exercised, lapsed or cancelled under the Share Option Scheme. There was no outstanding share option not yet exercised under the Share Option Scheme.

Corporate governance practice

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the Code during the Period except for the deviation from the code provision A.2.1 of the Code. Mr. Li is the chairman of the Board and the chief executive officer of the Company and he has been managing the Group's business and supervising the overall operations of the Group since 2004. The Directors consider that vesting the roles of the chairman of the Board and the chief executive officer of the Company in Mr. Li is beneficial to the management and business development of the Group and will provide a strong and consistent leadership to the Group. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Audit committee

The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 September 2019 of the Group with the management and is of the view that such unaudited interim condensed consolidated financial statements complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

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

Hong Kong, 14 November 2019

As at the date of this announcement, the Board composition is as follows:

Chairman and Executive Director:
Mr. Li Wai Keung

Executive Directors:
Mr. To Hoi Pan
Ms. Lee Kwai Fong

Independent non-executive Directors:
Ms. Chow Chi Ling Janice
Mr. Tung Man
Mr. Yu Pui Hang