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Amuse Group Holding Limited

佰悅集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8545)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

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 2022 (the “Period”), together with the comparative figures for the six months ended 30 September 2021 (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 2022

		Six months ended	
		30 September	
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	120,838	116,391
Cost of sales		(103,898)	(97,761)
Gross profit		16,940	18,630
Other income, net	5	84	2,714
Selling expenses		(5,748)	(4,932)
Administrative expenses		(12,029)	(11,252)
Fair value changes of financial assets at fair value through profit or loss		(2,093)	(167)
Share of loss of a joint venture		–	(500)
(Loss)/profit from operations		(2,846)	4,493
Finance costs	6(a)	(54)	(63)
(Loss)/profit before taxation	6	(2,900)	4,430
Income tax expense	7	(720)	(1,552)
(Loss)/profit for the period		(3,620)	2,878
(Loss)/earnings per share			
— Basic and diluted (<i>HK cents</i>)	8	(0.31)	0.29
(Loss)/profit for the period		(3,620)	2,878
(Loss)/profit and total comprehensive (loss)/income for the period		(3,620)	2,878

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	<i>Notes</i>	As at 30 September 2022 HK\$'000	As at 31 March 2022 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	18,825	16,735
Deferred tax assets		425	425
Other receivables	11	3,583	117
Interests in joint ventures		10,003	3
Goodwill		6,854	–
		<u>39,690</u>	<u>17,280</u>
Current assets			
Inventories		3,409	2,702
Trade and bills receivables	10	18,864	7,584
Financial assets at fair value through profit or loss	12	4,129	3,865
Other receivables	11	39,470	38,423
Current tax recoverable		1,477	3,452
Bank deposits and cash	13	123,826	151,640
		<u>191,175</u>	<u>207,666</u>
Current liabilities			
Trade and other payables	14	20,608	8,886
Contract liabilities	15	16,929	30,718
Amount due to a joint venture		3	3
Bank loan		3,250	3,327
Lease liabilities		2,106	820
Current tax payable		659	579
		<u>43,555</u>	<u>44,333</u>
Net current assets		<u>147,620</u>	<u>163,333</u>
Total assets less current liabilities		<u>187,310</u>	<u>180,613</u>
Non-current liabilities			
Deferred tax liabilities		178	178
Lease liabilities		400	83
		<u>578</u>	<u>261</u>
NET ASSETS		<u>186,732</u>	<u>180,352</u>
EQUITY			
Share capital		11,923	10,000
Reserves		174,809	170,352
TOTAL EQUITY		<u>186,732</u>	<u>180,352</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 April 2021	10,000	66,991	129	101,751	178,871
Profit and total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,878</u>	<u>2,878</u>
Balance at 30 September 2021	<u>10,000</u>	<u>66,991</u>	<u>129</u>	<u>104,629</u>	<u>181,749</u>
Balance at 1 April 2022	10,000	66,991	129	103,232	180,352
Loss and total comprehensive loss for the period	–	–	–	(3,620)	(3,620)
New share issued in the period	<u>1,923</u>	<u>8,077</u>	<u>–</u>	<u>–</u>	<u>10,000</u>
Balance at 30 September 2022	<u>11,923</u>	<u>75,068</u>	<u>129</u>	<u>99,612</u>	<u>186,732</u>

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2022

	Six months ended	
	30 September	
	2022	2021
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from operating activities	2,113	22,450
Investing activities		
Interest received	7	170
Placement of bank deposits with original maturities over three months	(16,717)	–
Decrease in bank deposits with original maturities over three months	–	7,807
Payment for company acquisition	6,988	–
Payment for the purchase of equipment, furniture and fixtures	(4,982)	(7,442)
Net cash (used in)/from investing activities	(28,680)	535
Financing activities		
Repayment of bank loans	(77)	(80)
Capital element of lease rental paid	(1,116)	(1,903)
Interest element of lease rental paid	(22)	(39)
Interest paid	(32)	(24)
Net cash used in financing activities	(1,247)	(2,046)
Net (decrease)/increase in cash and cash equivalents	(27,814)	20,939
Cash and cash equivalents at the beginning of the period	151,640	86,961
Cash and cash equivalents at the end of the period	123,826	107,900
	<i>13</i>	

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands, which has been changed to Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands with effect from 1 October 2022.

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

The measurement basis used in the preparation of the unaudited condensed consolidated financial statements is the historical cost basis, except that the investment properties and certain financial assets are 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

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 11 November 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains unaudited condensed consolidated interim financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial consolidated statements. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report has not been audited nor reviewed by the independent auditor but has been reviewed by the Audit Committee.

The financial information relating to the financial year ended 31 March 2022 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2022 are available from the Company's principal place of business. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 June 2022.

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

(a) Amended HKFRSs that are effective for annual periods beginning on or after 1 April 2021

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2022 have been prepared in accordance with the accounting policies adopted in the Group's annual financial statements for the year ended 31 March 2022, except for the adoption of the following amended HKFRSs which are effective as of 1 April 2022.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020 ¹
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination ⁴

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

(b) Issued but not yet effective HKFRSs

At the date of authorisation of the unaudited condensed consolidated interim financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and related amendments ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

2 Effective date not yet determined

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

4. REVENUE AND BUSINESS SEGMENT

(a) Revenue

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

A new principal activity for the Group commenced on 8 August 2022, the Group has acquired a company which is principally engaged in the provision of its main operating engineering projects in Hong Kong, including (i) commercial building repair, maintenance, renovation; (ii) office renovation, design and (iii) other large-scale engineering projects.

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

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of ODM toys to license holders	73,990	56,767
Distribution of imported toys and related products	28,118	30,285
Sales of own licensed toys and related products	15,155	29,339
Revenue of operating engineering projects	3,575	–
	<u>120,838</u>	<u>116,391</u>

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 78% (the Corresponding Period: 72%). Further details regarding the Group's principal activities are disclosed below.

The Group manages its business by four (2021: three) divisions, namely sale of ODM toys, sale of own licensed toys, distribution of imported toys and revenue of operating engineering projects. 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 four 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 2022 and 2021 is set out below.

	Sales of ODM toys		Distribution of imported toys and related products		Sales of own licensed toys and related products		Revenue of operating engineering projects		Total	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September		30 September		30 September	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	73,990	56,767	28,118	30,285	15,155	29,339	3,575	-	120,838	116,391
Inter-segment revenue	-	-	9,543	5,076	12,009	24,640	-	-	21,552	29,716
Reportable segment revenue	<u>73,990</u>	<u>56,767</u>	<u>37,661</u>	<u>35,361</u>	<u>27,164</u>	<u>53,979</u>	<u>3,575</u>	<u>-</u>	<u>142,390</u>	<u>146,107</u>
Reportable segment (loss)/profit	<u>(4,912)</u>	<u>1,320</u>	<u>4,056</u>	<u>4,044</u>	<u>154</u>	<u>(2,918)</u>	<u>(135)</u>	<u>-</u>	<u>(837)</u>	<u>2,446</u>
Depreciation for the period	<u>569</u>	<u>423</u>	<u>698</u>	<u>835</u>	<u>1,596</u>	<u>7,083</u>	<u>-</u>	<u>-</u>	<u>2,863</u>	<u>8,341</u>

(b) Reconciliations of reportable segment (loss)/profit

	Six months ended	
	2022	2021
	HK\$'000	HK\$'000
(Loss)/Profit		
Reportable segment (loss)/profit derived from the Group's external customers	(837)	2,446
Other income, net	84	2,714
Fair value changes of financial assets at fair value through profit or loss	(2,093)	(167)
Share of loss of a joint venture	-	(500)
Finance costs	<u>(54)</u>	<u>(63)</u>
Consolidated (loss)/profit before taxation	<u>(2,900)</u>	<u>4,430</u>

(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	
	2022	2021
	HK\$'000	HK\$'000
Customer A	75,514	58,604
Customer B	(Note)	16,728

Note: This customer did not contribute over 10% of the total revenue of the Group during six months ended 30 September 2022.

5. OTHER INCOME, NET

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Bank interest income	7	170
Net exchange (loss)/gain	(1,851)	642
Rental income	–	377
Freight charge income	108	121
Management fee income	550	630
Sundry income	205	774
Government grant	685	–
Gain on disposal of property, plant and equipment	380	–
	84	2,714

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
(a) Finance costs		
Interest on bank loan and overdrafts	32	24
Interest on lease liabilities	22	39
	<u>54</u>	<u>63</u>
(b) Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	8,651	9,342
Contributions to defined contributions retirement plans	229	200
	<u>8,880</u>	<u>9,542</u>
(c) Other items		
Depreciation of property, plant and equipment	1,747	6,803
Depreciation of right-of-use assets	1,116	1,538
Auditor's remuneration	303	375
	<u>3,166</u>	<u>8,716</u>

7. INCOME TAX

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Current tax — Hong Kong profits tax	<u>720</u>	<u>1,552</u>

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

8. LOSS/EARNINGS PER SHARE

The calculation of basic loss/earnings per share is based on the loss/profit attributable to ordinary equity shareholders of the Company of HK\$3,620,000 (the profit on the Corresponding Period: HK\$2,878,000) and weighted average of 1,166,036,149 ordinary shares in issue during the Period (the Corresponding Period: 1,000,000,000 shares).

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

	At 30 September	
	2022	2021
Issued ordinary share at 1 April	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Weighted average number of shares at 30 September	<u>1,166,036,149</u>	<u>1,000,000,000</u>

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

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2022, the Group acquired items of plant and machinery with a cost of HK\$4,982,000 (six months ended 30 September 2021: HK\$7,442,000).

10. TRADE AND BILLS RECEIVABLES

	As at 30 September 2022 HK\$'000	As at 31 March 2022 HK\$'000
Trade receivables — gross	18,004	5,834
Bills receivables — gross	<u>881</u>	<u>1,771</u>
	18,885	7,605
Less: ECL allowance	<u>(21)</u>	<u>(21)</u>
Trade and bills receivables — net	<u>18,864</u>	<u>7,584</u>

Ageing analysis

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

	As at 30 September 2022 HK\$'000	As at 31 March 2022 HK\$'000
Trade receivables		
Less than 30 days	15,346	3,576
31 to 60 days	2,440	1,526
61 to 90 days	–	414
Over 91 days	197	297
	<u>17,983</u>	<u>5,813</u>

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

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

The movement in the ECL allowance is as follows:

	As at 30 September 2022 HK\$'000	As at 31 March 2022 HK\$'000
At the beginning of the period	21	4
ECL allowance recognised	–	19
Reversal of ECL allowance recognised	–	(2)
	<u>21</u>	<u>21</u>

11. OTHER RECEIVABLES

	As at 30 September 2022 <i>HK\$'000</i>	As at 31 March 2022 <i>HK\$'000</i>
Other receivables — gross	5,075	4,083
Less: ECL allowance	<u>—</u>	<u>—</u>
Other receivables — net	<u>5,075</u>	<u>4,083</u>
Trade deposits	36,328	32,801
Rental deposits	1,094	1,088
Other deposits	138	71
Prepayments	<u>418</u>	<u>497</u>
	<u>37,978</u>	<u>34,457</u>
	43,053	38,540
Less: Portion due over one year included under non-current assets	<u>(3,583)</u>	<u>(117)</u>
	<u><u>39,470</u></u>	<u><u>38,423</u></u>

Apart from the portion due over one year included under non-current assets, all of the prepayments, deposits and other receivables are expected to be recovered or recognised as expenses within one year.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2022 <i>HK\$'000</i>	As at 31 March 2022 <i>HK\$'000</i>
Listed securities:		
Equity securities — Hong Kong	<u>4,129</u>	<u>3,865</u>

13. BANK DEPOSITS AND CASH

Cash and cash equivalents comprise:

	As at 30 September 2022 HK\$'000	As at 31 March 2022 HK\$'000
Cash at bank and on hand	107,109	151,640
Bank deposits with original maturities over three months	<u>16,717</u>	<u>–</u>
	<u>123,826</u>	<u>151,640</u>

14. TRADE AND OTHER PAYABLES

	As at 30 September 2022 HK\$'000	As at 31 March 2022 HK\$'000
Trade payables	17,240	4,345
Other payables and accrued expenses	<u>3,368</u>	<u>4,541</u>
	<u>20,608</u>	<u>8,886</u>

Ageing analysis

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

	As at 30 September 2022 HK\$'000	As at 31 March 2022 HK\$'000
Less than 30 days	14,150	2,522
31 to 60 days	1,425	359
61 to 90 days	–	100
Over 91 days but within one year	<u>1,665</u>	<u>1,364</u>
	<u>17,240</u>	<u>4,345</u>

15. CONTRACT LIABILITIES

	As at 30 September 2022 HK\$'000	As at 31 March 2022 HK\$'000
Contract liabilities arising from deposits received from sales of toys and related products	<u>16,929</u>	<u>30,718</u>

Receiving a trade deposit by the Group before the delivery of goods gives rise to contract liabilities at the inception of a contract, until the revenue recognised exceeds the amount of the deposit. The amount of deposit is negotiated on a case by case basis with customers.

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

16. DIVIDENDS

No dividends were paid or declared by the Company or any of the subsidiaries during the six months ended 30 September 2022 and 30 September 2021.

17. 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 2022 and 31 March 2022.

18. COMMITMENTS

At 30 September 2022 and 31 March 2022, the Group has no operating lease commitment as lessee and capital commitment.

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.

A new principal activity commenced on 8 August 2022, which is principally engaged in the provision of its main operating engineering projects.

Business Review

For the Period as compared to the Corresponding Period, the Group's revenue increased by approximately 3.8% while gross profit decreased by approximately 9.1%.

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 30.3% to approximately HK\$73,990,000 (the Corresponding Period: approximately HK\$56,767,000).

The increase in revenue from this segment was primarily because of the production capacity of suppliers in mainland China are significantly recovered in the Period.

Business in the distribution of imported toys and related products

The Group's revenue in the distribution of imported toys and related products decreased by approximately 7.2% to approximately HK\$28,118,000 (the Corresponding Period: approximately HK\$30,285,000).

The decrease in revenue from the distribution of imported toys and related products was mainly attributable to the release and delivery of a model of hot selling high-end robot figure in the Corresponding Period, which contributed over 50% sales in the segment.

Business in the sales of own licensed toys and related products

The Group's revenue in the sales of own licensed toys and related products decreased by approximately 48.3% to approximately HK\$15,155,000 (the Corresponding Period: approximately HK\$29,339,000).

The decrease in revenue from the sales of own licensed toys and related products was primarily because a newly, developed super hero series figure was highly popular in the Corresponding Period.

Revenue of operating engineering projects

The Group's new business segment commenced on 8 August 2022, which mainly contributed from the project in Fo Tan, Hong Kong. There are three areas of work including typical lobby, lift car and main lobby for this project, that contributed the revenue of approximately HK\$3,575,000 for the Period (the Corresponding Period: Nil).

Financial Analysis

Revenue

Revenue increased by approximately 3.8% to approximately HK\$120,838,000 for the Period from approximately HK\$116,391,000 for the Corresponding Period.

The increase in revenue was mainly due to the increase in revenue from (i) commencement of new segment-operating engineering projects; (ii) sales of ODM toys to license holder in the Period.

Cost of sales

Cost of sales increased by approximately 6.3% to approximately HK\$103,898,000 for the Period from approximately HK\$97,761,000 for the Corresponding Period. The increase of cost of sales brings into line with the increase of revenue.

Gross profit

Gross profit decreased by approximately 9.1% to approximately HK\$16,940,000 for the Period from approximately HK\$18,630,000 for the Corresponding Period. The gross profit margin decreased to 14.0% for the Period from approximately 16.0% for the Corresponding Period due to extra production and labour cost having been transferred from suppliers caused by the unstable production environment in Mainland China, and the comparatively low profit margin in revenue of operating an engineering project in the Period.

Other income, net

Other income, net decreased by approximately 96.9% to approximately HK\$84,000 for the Period from approximately HK\$2,714,000 for the Corresponding Period.

The decrease was mainly due to the sharp rebound in the US dollar during the Period. The foreign currency held on hand during the Period results in a foreign exchange loss being written off from other incomes.

Selling expenses

Selling expenses increased by approximately 16.5% to approximately HK\$5,748,000 for the Period from approximately HK\$4,932,000 for the Corresponding Period. The increase was due to the extensive promotion expenses on Ani-Com & Games Hong Kong incurred in the Period.

Administrative expenses

Administrative expenses increased by approximately 6.91% to approximately HK\$12,029,000 for the Period from approximately HK\$11,252,000 for the Corresponding Period. The increased expense was mainly due to the professional services fee expenses for the acquisition projects conducted in the Period.

Event after the reporting period

An indirect wholly-owned subsidiary of the Company, Amuse Development Limited (the “Purchaser”) and Ms. Cheng Pui Ling (the “Vendor”) entered into an agreement for the sale and purchase of approximately 45.00% of the issued share capital (the “Sale Shares”) of M.I.P. International Limited (the “Target Company”), pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to acquire the Sale Shares (the “Acquisition”) at a consideration of HK\$7,950,000 which shall be payable by the Purchaser to the Vendor by cash. The Acquisition was completed on 26 October 2022.

The Target Company is a company incorporated in Hong Kong with limited liability. It is principally engaged in the provision of information technology solutions to customers, including (i) infrastructure solution such as network and data center; (ii) system and security solution such as application server and system security; and (iii) equipment reselling service. The Target Company has a diversified customer base, including renowned hotels, property developers and the government of Hong Kong.

Apart from the above mentioned, there is no other significant event subsequent to 30 September 2022 which would materially affect the Group’s operating and financial performance.

Liquidity, financial resources and funding

As at 30 September 2022, the Group had cash and bank deposits of approximately HK\$123,826,000 (31 March 2022: approximately HK\$151,640,000), which were cash at banks and on hand and bank deposits.

As at 30 September 2022, no bank deposit was pledged (31 March 2022: nil).

As at 30 September 2022, the Group's indebtedness comprised bank loans of HK\$3,250,000 (31 March 2022: HK\$3,327,000) and lease liabilities of HK\$2,506,000 (31 March 2022: HK\$903,000).

The Group's gearing ratio, which is calculated by total debt (defined as bank and other debts incurred not in the ordinary course of business) divided by total equity, was 0.02 times as at 30 September 2022 (31 March 2022: 0.02 times).

Capital structure

As at 30 September 2022 and 31 March 2022, the capital structure of the Company comprised issued share capital and reserves.

Future plans for material investments and capital assets

Save as disclosed in the prospectus of the Company dated 18 May 2018 (the "Prospectus"), and the acquisition as mentioned under Event after the reporting period in Page 19 of this announcement, the Group did not have other plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

On 8 August 2022, the Company acquired 100% equity interest of Forever Profits Development Limited ("Forever Profits"), a company incorporated in Hong Kong with limited liability, from an Independent Third Party, Mr. Tse Chun Yiu ("Mr. Tse") at a consideration of HK\$7,000,000.

Forever Profits is principally engaged in the provision of its main operating engineering projects in Hong Kong, including (i) commercial building repair, maintenance, renovation; (ii) office renovation, design and (iii) other large-scale engineering projects.

Mr. Tse irrevocably and unconditionally guarantees to the Purchaser that 3 years net profit, and the each year net profit is not less than HK\$2,500,000. Otherwise, the vendor shall pay the differences to the Purchaser, and the maximum pay back by the vendor is HK\$2,500,000 per year.

The acquisition of this subsidiary has been accounted for using acquisition method and was made as part of the Company's strategy to exploring potential investment opportunities from time to time in order to broaden its profit source and eventually optimise the returns to the Shareholders. Acquisition-related cost is insignificant.

Identifiable assets acquired and liabilities assumed

The following table summaries the fair values of the identifiable assets acquired and liabilities assumed at the date of acquisition:

	Fair value of net identifiable assets and liabilities acquired <i>HK\$'000</i>
Other Receivables	159
Cash at Bank	12
	<hr/>
	171
Less: Accrual Expense	(25)
	<hr/>
Total identifiable net assets acquired	<u><u>146</u></u>

Goodwill

Goodwill arising from the acquisition has been recognized as follow:

	<i>HK\$'000</i>
Total consideration	7,000
Fair value of identifiable net assets	(146)
	<hr/>
Goodwill	<u><u>6,854</u></u>

Net cash outflow on acquisition of a subsidiary

HK\$'000

Consideration paid in cash	7,000
Less: Bank balances and cash acquired	<u>(12)</u>
Net outflow of cash and cash equivalents included in the cash flows from investing activities	<u><u>6,988</u></u>

Impact of acquisition on the results of the Group

The revenue and loss included in the consolidated statement of profit or loss and other comprehensive income for the period ended 30 September 2022 since the acquisition date contributed by Forever Profits Development Limited was approximately HK\$310,000 and HK\$124,000 respectively.

Contingent liabilities

The Group had no material contingent liabilities as at 30 September 2022 (31 March 2022: 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 2022, the Group's leasehold land and building with an aggregate carrying value of HK\$6,334,000 were mortgaged to secure banking facilities granted to the Group (31 March 2022: HK\$6,069,000).

Information on employees

As at 30 September 2022, the Group had 53 employees (31 March 2022: 41) 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\$3,512,000 (the Corresponding Period: approximately HK\$5,352,000).

Interim dividend

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

Use of Proceeds

The ordinary share(s) of the Company (the "Shares") were listed on GEM on 31 May 2018. The net proceeds from the listing of the Shares on GEM (the "Listing") (after deducting the underwriting fees and related expenses) amounted to approximately HK\$57.9 million. The net proceeds were fully utilised in FY2021.

Principal risks and uncertainties

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

Principal risks and uncertainties facing the Group

- Failure to obtain new orders could materially affect the Group's financial performance
- The Group relies on the performance of senior management team

Directors' approach to addressing these risks and uncertainties

- The Group has constantly built up good relationships with key customers and actively solicited new customers
- The Group has constantly provided training to senior management team to enhance their performance

- Ineffective quality control over the suppliers and products may result in negative impact on the business and operation of the Group
- The Group has professional and well trained engineer team to working closely and timely with suppliers in order to maintain its product in high standard of quality
- The Group may be exposed to delays and/or defaults of payments by customers which would adversely affect 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 own licensed toys will have adverse impact on financial performance of the Group
- The Group has a dedicated team to work closely with existing licensor, obtained outstanding results in the joint events with the licensors. The Group has kept up good relationship and also developing new relationship with potential new licensors in the market

Outlook

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

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

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

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 2022, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), Chapter 571), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Nature of interest/ Holding capacity	Number of ordinary shares held	Percentage of issued share capital of the Company (Note 1)
Mr. Li Wai Keung (“Mr. Li”) (Note 1)	Interest of a controlled corporation	180,800,000 (L) (Note 2, 3)	15.16%

Notes:

1. As at 30 September 2022, the Company issued ordinary share capital was HK\$11,923,077 divided into 1,192,307,692 Shares of HK\$0.01 each.
2. 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 180,800,000 Shares.
3. The letter “L” denotes the person’s long position in the Shares.

Save as disclosed above, as at 30 September 2022, 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 2022, person (other than the Directors) who had interests or short positions in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital, was recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholders	Nature of interest/ Holding capacity	Number of ordinary shares held	Percentage of issued share capital of the Company (Note 1)
Infinite Force	Beneficial owner	180,800,000 (L) (Note 2, 3)	15.16%
Ms. Fong Wing Yan ("Ms. Fong")	Interest of spouse	180,800,000 (L) (Note 4)	15.16%
Ms. Lam Hoi Yan	Beneficial owner	65,000,000 (L)	5.45%

Notes:

- As at 30 September 2022, the Company issued ordinary share capital was HK\$11,923,077 divided into 1,192,307,692 Shares of HK\$0.01 each.
- 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 180,800,000 Shares held by Infinite Force by virtue of his 100% shareholding interest in Infinite Force.
- The letter "L" denotes the person's long position in the Shares.
- Ms. Fong is the spouse of Mr. Li. She is deemed to be interested in the Shares in which Mr. Li is interested under Part XV of the SFO.

Purchase, sale or redemption of listed securities of the Company

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

Directors' and controlling shareholders' interest in competing business

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

Directors' securities transactions

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

Interests of the Compliance Adviser

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Ample Capital Limited ("Ample Capital") to be the compliance adviser. As informed by Ample Capital, neither Ample Capital nor any of its directors or employees or close associates, has or may have, any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement entered into between the Company and Ample Capital dated 10 May 2018 and as supplemented dated 26 August 2019, 15 April 2021 and 30 June 2022 (the "Compliance Adviser Agreement"). The Company and Ample Capital have mutually agreed to terminate the Compliance Adviser Agreement on 1 October 2022.

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 2022 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 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 2022 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, 11 November 2022

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

Non-executive Directors:

Mr. Lee Ming Yeung Michael

Mr. Wei Qing

Mr. Chu Wai Tak

Independent non-executive Directors:

Ms. Chow Chi Ling Janice

Mr. Yu Pui Hang

Ms. Kwok Wai Ling

Mr. Cheng Pak Lam (appointed on 19 August 2022)

Ms. Ren Hongyan (retired on 12 August 2022)