

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2023**

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 2023 (the “Period”), together with the comparative figures for the six months ended 30 September 2022 (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 2023

		Six months ended	
		30 September	
		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	103,294	120,838
Cost of sales		(85,253)	(103,898)
Gross profit		18,041	16,940
Other (expense)/income, net	5	(534)	84
Selling expenses		(4,260)	(5,748)
Administrative expenses		(12,727)	(12,029)
Fair value changes of financial assets at fair value through profit or loss		(756)	(2,093)
Loss from operations		(236)	(2,846)
Finance costs	6(a)	(192)	(54)
Loss before taxation	6	(428)	(2,900)
Income tax expense	7	(194)	(720)
Loss and total comprehensive loss for the period		(622)	(3,620)
Loss per share			
— Basic and diluted (<i>HK cents</i>)	8	(0.05)	(0.31)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

		As at 30 September 2023 HK\$'000	As at 31 March 2023 HK\$'000
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	25,872	29,619
Goodwill		5,378	5,378
Financial assets at fair value through profit or loss	12	834	1,905
Interests in joint ventures		–	3
Interest in associates		18,213	18,213
Deferred tax assets		635	646
Other receivables	11	781	1,285
		<u>51,713</u>	<u>57,049</u>
Current assets			
Inventories		1,513	1,521
Trade receivables	10	35,477	13,296
Other receivables	11	42,063	44,435
Financial assets at fair value through profit or loss	12	5,824	5,753
Current tax recoverable		–	1,233
Bank deposits and cash	13	120,184	133,555
		<u>205,061</u>	<u>199,793</u>
Current liabilities			
Trade and other payables	14	28,778	22,448
Contract liabilities	15	23,755	27,232
Amount due to a joint venture		3	3
Bank loan		3,130	3,187
Lease liabilities		5,266	3,748
Current tax payable		166	–
		<u>61,098</u>	<u>56,618</u>
Net current assets		<u>143,963</u>	<u>143,175</u>
Total assets less current liabilities		<u>195,676</u>	<u>200,224</u>

	As at 30 September 2023	As at 31 March 2023
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	94	3,877
Deferred tax liabilities	90	233
	<u>184</u>	<u>4,110</u>
NET ASSETS	<u>195,492</u>	<u>196,114</u>
EQUITY		
Share capital	11,923	11,923
Reserves	183,569	184,191
TOTAL EQUITY	<u>195,492</u>	<u>196,114</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
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>
Balance at 1 April 2023	11,923	75,068	129	108,994	196,114
Loss and total comprehensive loss for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>(622)</u>	<u>(622)</u>
Balance at 30 September 2023	<u>11,923</u>	<u>75,068</u>	<u>129</u>	<u>108,372</u>	<u>195,492</u>

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2023

	Six months ended	
	30 September	
<i>Notes</i>	2023	2022
	HK\$'000	HK\$'000
Net cash used in operating activities	(10,349)	(14,560)
Investing activities		
Interest received	830	7
Placement of bank deposits with original maturities over three months	(3,019)	(16,717)
Withdrawal of bank deposits with original maturities over three months	20,079	–
Disposal of a joint venture	3	–
Payment for company acquisition	–	(6,988)
Payment for the purchase of equipment, furniture and fixtures	(2,090)	(5,026)
Net cash from/(used in) investing activities	15,803	(28,724)
Financing activities		
Repayment of bank loans	(57)	(77)
Capital element of lease rental paid	(1,516)	(1,116)
Interest element of lease rental paid	(106)	(22)
Interest paid	(86)	(32)
Net cash used in financing activities	(1,765)	(1,247)
Net increase/(decrease) in cash and cash equivalents	3,689	(44,531)
Cash and cash equivalents at beginning of the period	116,495	151,640
Cash and cash equivalents at the end of the period	120,184	107,109
<i>13</i>	120,184	107,109

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2023

1. GENERAL INFORMATION

The Company is incorporated in the Cayman Islands with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands and the principal place of business of the Company is at Flat B-E, 33/F., Plaza 88, No. 88 Yeung UK Road, Tsuen Wan, New Territories, Hong Kong.

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 provision of agency services.

The measurement basis used in the preparation of the unaudited condensed consolidated financial statements is the historical cost basis, except 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 14 November 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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 2023 annual consolidated financial 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 2023 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 2023 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 30 June 2023.

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 2022

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2023 have been prepared in accordance with the accounting policies adopted in the Group's annual financial statements for the year ended 31 March 2023, except for the adoption of the following amended HKFRSs which are effective as of 1 April 2023.

HKFRS 17	Insurance Contracts and related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

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.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 21	Lack of Exchangeability ²

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual period beginning on or after 1 January 2025

³ 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, and provision of agency services.

Disaggregation of revenue from contracts with the scope of HKFRS 15

Disaggregation of revenue from contracts with customers which are recognised at a point in time and over time by major products or service line is as follows:

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
Types of goods or service		
Sales of ODM toys to license holders	51,738	73,990
Distribution of imported toys and related products	32,271	28,118
Sales of own licensed toys and related products	16,285	15,155
Revenue of agency services related to engineering projects	3,000	3,575
	<hr/>	<hr/>
Total	103,294	120,838
Timing of revenue recognition		
At a point in time	100,294	117,263
Over time	3,000	3,575
	<hr/>	<hr/>
Total	<u>103,294</u>	<u>120,838</u>

The Group's customers are primarily toys distributors based in Japan. The percentage of revenue contributed by the Group's five largest customers for the period amounted to approximately 62% (the Corresponding Period: 78%).

The Group primarily manages its business by three (the Corresponding Period: three) divisions, namely sales of ODM toys, sales 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 three (the Corresponding Period: three) reportable segments, which are sales of ODM toys to license holders, distribution of imported toys and related products, and sales of own licensed toys and related products. No operating segments have been aggregated to form the reportable segments.

For the purpose of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results based on the revenue and expenses which are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment assets and segment liabilities is not reported or used by the Group's most senior executive management.

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 2023 and 2022 is set out below:

	Sales of ODM toys		Distribution of imported toys and related products		Sales of own licensed toys and related products		Unallocated		Total	
	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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from										
external customers	51,738	73,990	32,271	28,118	16,285	15,155	3,000	3,575	103,294	120,838
Inter-segment revenue	-	-	11,769	9,543	10,932	12,009	-	-	22,701	21,552
Reportable segment revenue	<u>51,738</u>	<u>73,990</u>	<u>44,040</u>	<u>37,661</u>	<u>27,217</u>	<u>27,164</u>	<u>3,000</u>	<u>3,575</u>	<u>125,995</u>	<u>142,390</u>
Reportable segment profit/(loss)	<u>1,915</u>	<u>(4,912)</u>	<u>(1,170)</u>	<u>4,056</u>	<u>(2,583)</u>	<u>154</u>	<u>2,892</u>	<u>(135)</u>	<u>1,054</u>	<u>(837)</u>
Depreciation for the period	<u>512</u>	<u>569</u>	<u>2,584</u>	<u>698</u>	<u>1,835</u>	<u>1,596</u>	<u>-</u>	<u>-</u>	<u>4,931</u>	<u>2,863</u>
Reportable segment assets										
Non-current assets										
(other than financial instruments), including:										
— Interests in										
joint ventures	-	-	-	-	-	-	-	3	-	3
— Interests in associates	-	-	-	-	-	-	18,213	10,000	18,213	10,000
Additions to non-current segment assets										
(other than financial instruments and deferred tax assets)										
during the period	<u>158</u>	<u>2,577</u>	<u>142</u>	<u>2,688</u>	<u>1,790</u>	<u>2,524</u>	<u>-</u>	<u>-</u>	<u>2,090</u>	<u>7,789</u>

Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for goods such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of goods that had an original expected duration of one year or less.

(b) Reconciliations of reportable segment profit

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
Profit		
Reportable segment profit/(loss) derived from the Group's external customers	1,054	(837)
Other (expense)/income, net	(534)	84
Fair value changes of financial assets at FVTPL		
— listed securities	(1,016)	(2,093)
Fair value changes of financial assets at FVTPL		
— Contingent Consideration Receivable	260	—
Finance costs	(192)	(54)
Unallocated	—	—
	<hr/>	<hr/>
Consolidated loss before taxation	(428)	(2,900)
	<hr/> <hr/>	<hr/> <hr/>

(c) Information about major customers

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

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
Customer A — sales of products	53,712	56,715
Customer B — sales of products	(Note)	18,799
	<hr/> <hr/>	<hr/> <hr/>

Note: This customer did not contribute over 10% of total revenue of the Group in the six months ended 30 September 2023.

5. OTHER (EXPENSE)/INCOME, NET

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
Bank interest income	830	7
Net exchange loss	(1,554)	(1,851)
Freight charge income	151	108
Management fee income	–	550
Sundry income	34	205
Government grant	–	685
Gain on disposal of property, plant and equipment	5	380
	<u>5</u>	<u>380</u>
	<u>(534)</u>	<u>84</u>

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
(a) Finance costs		
Interest on bank loan and overdrafts	86	32
Interest on lease liabilities	106	22
	<u>192</u>	<u>54</u>
(b) Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	7,786	8,651
Contributions to defined contributions retirement plans	194	229
	<u>7,980</u>	<u>8,880</u>
(c) Other items		
Depreciation of property, plant and equipment	3,232	1,747
Depreciation of right-of-use assets	1,699	1,116
Auditor's remuneration	310	303
	<u>3,232</u>	<u>1,747</u>

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
Current tax — Hong Kong profits tax	<u>194</u>	<u>720</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 PER SHARE

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$622,000 (the loss on the Corresponding Period: HK\$3,620,000) and weighted average of 1,192,307,692 ordinary shares in issue during the Period (the Corresponding Period: 1,166,036,149 shares).

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

	At 30 September	
	2023	2022
Issued ordinary share at 1 April	<u>1,192,307,692</u>	<u>1,000,000,000</u>
Weighted average number of shares at 30 September	<u>1,192,307,692</u>	<u>1,166,036,149</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 2023, the Group acquired items of plant and machinery with a cost of HK\$2,090,000 (six months ended 30 September 2022: HK\$5,026,000).

10. TRADE RECEIVABLES

	As at 30 September 2023 <i>HK\$'000</i>	As at 31 March 2023 <i>HK\$'000</i>
Trade receivables — gross	35,559	13,378
Less: ECL allowance	<u>(82)</u>	<u>(82)</u>
Trade receivables — net	<u><u>35,477</u></u>	<u><u>13,296</u></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 2023 <i>HK\$'000</i>	As at 31 March 2023 <i>HK\$'000</i>
Trade receivables		
Less than 30 days	21,232	11,128
31 to 60 days	275	1,014
61 to 90 days	13,883	1,154
Over 91 days	<u>87</u>	<u>—</u>
	<u><u>35,477</u></u>	<u><u>13,296</u></u>

The movement in the ECL allowance on trade receivables is as follows:

	As at 30 September 2023 <i>HK\$'000</i>	As at 31 March 2023 <i>HK\$'000</i>
At the beginning of the period/year	82	21
ECL allowance recognised	—	80
Reversal of ECL allowance recognised	<u>—</u>	<u>(19)</u>
At the end of the period/year	<u><u>82</u></u>	<u><u>82</u></u>

11. OTHER RECEIVABLES

	As at 30 September 2023 <i>HK\$'000</i>	As at 31 March 2023 <i>HK\$'000</i>
Other receivables — gross	1,309	10,701
Less: ECL allowance	<u>(157)</u>	<u>(157)</u>
Other receivables — net	<u>1,152</u>	<u>10,544</u>
Trade deposits	38,586	31,293
Rental deposits	1,232	1,458
Other deposits	88	422
Prepayments	<u>1,786</u>	<u>2,003</u>
	<u>41,692</u>	<u>35,176</u>
	42,844	45,720
Less: Portion due over one year included under non-current assets	<u>(781)</u>	<u>(1,285)</u>
	<u><u>42,063</u></u>	<u><u>44,435</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.

The movement in the ECL allowance on other receivables is as follows:

	As at 30 September 2023 <i>HK\$'000</i>	As at 31 March 2023 <i>HK\$'000</i>
At the beginning of the period/year	157	–
ECL allowance recognised	<u>–</u>	<u>157</u>
At the end of the period/year	<u><u>157</u></u>	<u><u>157</u></u>

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2023 <i>HK\$'000</i>	As at 31 March 2023 <i>HK\$'000</i>
Current portion		
Listed securities:		
Equity securities — Hong Kong	2,098	3,358
Contingent consideration receivable	<u>3,726</u>	<u>2,395</u>
	<u><u>5,824</u></u>	<u><u>5,753</u></u>
Non-current portion		
Contingent consideration receivable	<u>834</u>	<u>1,905</u>

The fair value of the Group's investments in listed securities and contingent consideration receivable have been measured as described below.

Contingent consideration receivable represents the profit guarantee given by the vendor to the Group in relation to the acquisition of Forever Profits Development Limited ("Forever Profits"). Contingent consideration receivable has been designated as financial assets at FVTPL upon initial recognition and is measured at fair value at the end of the reporting period. The movement of the fair value of contingent consideration receivable is as follow:

	<i>HK\$'000</i>
At 1 April 2022	–
Arising from acquisition	3,800
Change in fair value	<u>500</u>
At 31 March 2023	4,300
Change in fair value	<u>260</u>
At 30 September 2023	<u><u>4,560</u></u>

Pursuant to the sale and purchase agreement in respect of the acquisition of Forever Profits, the vendor irrevocably and unconditionally guarantees to the Group that the net profit after tax from 30 June 2023 to 30 June 2025 is HK\$2,500,000 (the "Guaranteed Sum") per year (the "Profit Guarantee").

In case the Profit Guarantee is not fulfilled for the corresponding periods, the vendor shall pay of the difference between the Guaranteed Sum and the net profit after tax of Forever Profits to the Group. Accordingly, the Group recognised contingent consideration receivable at the acquisition date.

The fair value of the contingent consideration receivable as at the acquisition date and 31 March 2023 is determined based on the valuation conducted by Ravia Global Appraisal Advisory Limited, by using the discounted cash flow approach and a gain arising in fair value change of approximately HK\$500,000 was recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 March 2023.

The fair value of the contingent consideration receivable as at 30 September 2023 is determined based on the valuation using the discounted cash flow approach and a gain arising in fair value change of approximately HK\$260,000 was recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2023.

The following table presents financial assets and liabilities measured at fair value in the condensed consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the observability and significance of inputs to the fair value measurements. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and not using significant unobservable inputs.
- Level 3: significant unobservable inputs for the asset or liability (significant unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value in the condensed consolidated statement of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

	As at 30 September 2023			
	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial assets at FVTPL				
— Listed equity investments				
— Hong Kong	2,098	–	–	2,098
— Contingent consideration receivable	–	–	4,560	4,560
	<u>2,098</u>	<u>–</u>	<u>4,560</u>	<u>6,658</u>

	As at 31 March 2023			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial assets at FVTPL				
— Listed equity investments				
— Hong Kong	3,358	—	—	3,358
— Contingent consideration receivable	—	—	4,300	4,300
	<u>3,358</u>	<u>—</u>	<u>4,300</u>	<u>7,658</u>

The contingent consideration receivable of the Group was revalued at 30 September 2023 by using the discounted cash flow approach.

Information about Level 3 fair value measurements

Description	Valuation technique	Significant unobservable input	Range of input	Favourable/ (unfavourable) changes in profit or loss HK\$'000
Contingent consideration receivable	Discounted cash flows	Discounted rate of 18.68%	+0.5% -0.5%	8 8

During the six months period ended 30 September 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (for the year ended 31 March 2023: Nil).

13. BANK DEPOSITS AND CASH

Cash and cash equivalents comprise:

	As at 30 September 2023 HK\$'000	As at 31 March 2023 HK\$'000
Cash at bank and on hand	<u>120,184</u>	<u>133,555</u>
Cash and cash equivalents in the consolidated cash flow statement	120,184	116,495
Bank deposits with original maturities over three months	<u>—</u>	<u>17,060</u>
	<u>120,184</u>	<u>133,555</u>

14. TRADE AND OTHER PAYABLES

	As at 30 September 2023 <i>HK\$'000</i>	As at 31 March 2023 <i>HK\$'000</i>
Trade payables	23,275	17,150
Other payables and accrued expenses	<u>5,503</u>	<u>5,298</u>
	<u><u>28,778</u></u>	<u><u>22,448</u></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 2023 <i>HK\$'000</i>	As at 31 March 2023 <i>HK\$'000</i>
Less than 30 days	1,649	6,952
31 to 60 days	9,776	4,556
61 to 90 days	5,029	1,045
Over 91 days but within one year	<u>6,821</u>	<u>4,597</u>
	<u><u>23,275</u></u>	<u><u>17,150</u></u>

15. CONTRACT LIABILITIES

	As at 30 September 2023 <i>HK\$'000</i>	As at 31 March 2023 <i>HK\$'000</i>
Contract liabilities arising from deposits received from sales of toys and related products	<u>23,755</u>	<u>27,232</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 2023 and 30 September 2022.

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 2023 and 31 March 2023.

18. COMMITMENTS

At 30 September 2023 and 31 March 2023, 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, retail sales of toys and related products and provision of agency services related to engineering projects.

Business Review

For the Period as compared to the Corresponding Period, the Group's revenue decreased by approximately 14.5% while gross profit increased by approximately 6.5%.

Business in the sales of ODM toys to license holder

The Group's revenue in the sales of ODM toys to license holders decreased by approximately 30.1% to approximately HK\$51,738,000 (the Corresponding Period: approximately HK\$73,990,000).

The decrease in revenue from this segment was primarily because of variation in the production schedule of the suppliers 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 increased by approximately 14.8% to approximately HK\$32,271,000 (the Corresponding Period: approximately HK\$28,118,000).

The increase in revenue from the distribution of imported toys and related products was mainly attributable to the comparatively lower level of revenue as a result of the COVID-19 Pandemic in the Corresponding Period.

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 increased by approximately 7.5% to approximately HK\$16,285,000 (the Corresponding Period: approximately HK\$15,155,000).

The increase 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 Period.

Business in the agency services related to engineering projects

The Group's revenue in agency services related to engineering projects is approximately HK\$3,000,000 (the Corresponding Period: approximately HK\$3,575,000).

The revenue from this segment was primarily contributed by consultancy services for a construction project. The scope of the consultancy service included (i) Engineering Consultancy, (ii) Management Guidance, (iii) Progress Control, and (iv) Quality Control.

Financial Analysis

Revenue

Revenue decreased by approximately 14.5% to approximately HK\$103,294,000 for the Period from approximately HK\$120,838,000 for the Corresponding Period.

The decrease in revenue was mainly due to the decrease in revenue from sales of ODM toys to license holder in the Period.

Cost of sales

Cost of sales decreased by approximately 17.9% to approximately HK\$85,253,000 for the Period from approximately HK\$103,898,000 for the Corresponding Period. The decrease of cost of sales is in line with the decrease of revenue.

Gross profit

Gross profit increased by approximately 6.5% to approximately HK\$18,041,000 for the Period from approximately HK\$16,940,000 for the Corresponding Period. The gross profit margin increased to 17.5% for the Period from approximately 14.0% for the Corresponding Period due to the significant increased in the distribution of imported toys and related products.

Other income, net

Other income, net decreased by approximately 735.7% to other expense of approximately HK\$534,000 for the Period from approximately HK\$84,000 for the Corresponding Period.

The decrease was mainly due to no management fee income or government grant received during the Period.

Selling expenses

Selling expenses decreased sharply by approximately 25.9% to approximately HK\$4,260,000 for the Period from approximately HK\$5,748,000 for the Corresponding Period. The decrease was due to the closure of two retail outlets since the Corresponding Period due to the impact of the COVID-19 epidemic; and the extensive promotion expense incurred on social media in the Corresponding Period.

Administrative expenses

Administrative expenses increased by approximately 5.8% to approximately HK\$12,727,000 for the Period from approximately HK\$12,029,000 for the Corresponding Period. The increased expense was mainly due to the additional expenses incurred for the new office put into use in the Period.

Event after the reporting period

There is no other significant event subsequent to 30 September 2023 which would materially affect the Group's operating and financial performance.

Liquidity, financial resources and funding

As at 30 September 2023, the Group had cash and bank deposits of approximately HK\$120,184,000 (31 March 2023: approximately HK\$133,555,000), which were cash at banks and on hand and bank deposits.

As at 30 September 2023, no bank deposit was pledged (31 March 2023: nil).

As at 30 September 2023, the Group's indebtedness comprised bank loans of approximately HK\$3,130,000 (31 March 2023: approximately HK\$3,187,000) and lease liabilities of approximately HK\$5,360,000 (31 March 2023: approximately HK\$7,625,000).

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 2023 (31 March 2023: 0.02 times).

Capital structure

As at 30 September 2023 and 31 March 2023, 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”), the Group had no definite plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

During the Period, the Group did not has any material acquisitions and disposals of subsidiaries and affiliated companies.

Contingent liabilities

The Group had no material contingent liabilities as at 30 September 2023 (31 March 2023: 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 2023, the Group’s leasehold land and building with an aggregate carrying value of approximately HK\$5,804,000 were mortgaged to secure banking facilities granted to the Group (31 March 2023: approximately HK\$5,892,000).

Information on employees

As at 30 September 2023, the Group had 35 employees (31 March 2023: 40) 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\$3,412,000 (the Corresponding Period: approximately HK\$3,512,000).

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
- Ineffective quality control over the suppliers and products may result in negative impact on the business and operation of the Group

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
- 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

Principal risks and uncertainties facing the Group

- The Group may be exposed to delays and/or defaults of payments by customers which would adversely affect cash flows or financial results
- 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

Directors' approach to addressing these risks and uncertainties

- 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
- 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 2023, 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 2023, 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 2023, 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 2023, 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 2023, the Company's 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. 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 had appointed Ample Capital Limited ("Ample Capital") to be the compliance adviser with the compliance adviser agreement (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. Upon completion of the period provided for Rule 6A.19 of the GEM Listing Rules, 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 2023 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 three months ended 30 September 2023 of the Group with the management and is of the view that such unaudited 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 2023

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. Chu Wai Tak

Independent non-executive Directors:

Ms. Chow Chi Ling Janice

Mr. Yu Pui Hang

Mr. Tung Man (appointed on 27 April 2023)