



**華夏文化科技集團**  
CA CULTURAL TECHNOLOGY GROUP

ANNUAL REPORT **2020/21**



華夏文化科技集團有限公司

CA Cultural Technology Group Limited

**(Incorporated in the Cayman Islands with limited liability)**  
**(Stock Code: 1566)**

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# CORPORATE INFORMATION

## Registered Office

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

## Principal Place of Business in Hong Kong

Suites 2905 29/F  
China Resources Building  
26 Harbour Road Wanchai  
Hong Kong

## Principal Place of Business in China

China Animation Creative Industry Park  
(華夏動漫創意產業園)  
Youyi Road, Longcheng Street  
Longgang District Shenzhen  
The People's Republic of China ("PRC")

## Company's Website

[www.animatechina.com](http://www.animatechina.com)

## Executive Directors

Mr. CHONG Heung Chung Jason (莊向松)  
(formerly named as Mr. ZHUANG Xiangsong (庄向松))  
Mr. TING Ka Fai Jeffrey (丁家輝)  
Ms. LIU Moxiang (劉茉香)

## Independent Non-executive Directors

Mr. NI Zhenliang (倪振良)  
Mr. TSANG Wah Kwong (曾華光)  
Mr. HUNG Muk Ming (洪木明)

## Audit Committee of our Board

Mr. TSANG Wah Kwong (曾華光) (*Chairman*)  
Mr. HUNG Muk Ming (洪木明)  
Mr. NI Zhenliang (倪振良)

## Remuneration Committee of our Board

Mr. HUNG Muk Ming (洪木明) (*Chairman*)  
Mr. TSANG Wah Kwong (曾華光)  
Mr. TING Ka Fai Jeffrey (丁家輝)

## Nomination Committee of our Board

Mr. CHONG Heung Chung Jason (莊向松) (*Chairman*)  
Mr. HUNG Muk Ming (洪木明)  
Mr. NI Zhenliang (倪振良)

## Investment Committee of our Board

Mr. CHONG Heung Chung Jason (莊向松) (*Chairman*)  
Ms. LIU Moxiang (劉茉香)  
Mr. TSANG Wah Kwong (曾華光)  
Mr. TING Ka Fai Jeffrey (丁家輝)  
Mr. WONG Yee Shuen Wilson (黃以信) *FCCA*

## Authorised Representatives

Mr. CHONG Heung Chung Jason  
Mr. LUK Sik Tat (陸適達) *FCCA, FCPA*

## Company Secretary

Mr. LUK Sik Tat (陸適達) *FCCA, FCPA*

## Hong Kong Share Registrar

**Computershare Hong Kong Investor Services Limited**  
Shops 1712-1716  
17th Floor Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## Principal Share Registrar and Transfer Office

**Conyers Trust Company (Cayman) Limited**  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## Auditor

**KTC Partners CPA Limited**  
Room 617, Seapower Tower  
Concordia Plaza  
1 Science Museum Road  
Tsim Sha Tsui East  
Kowloon, Hong Kong

## Principal Bankers

**The Hongkong and Shanghai Banking Corporation Limited**  
Tsim Sha Tsui CVC Branch  
82-84 Nathan Road  
Kowloon, Hong Kong

## Hang Seng Bank Limited

Chung On Street Branch  
38 Chung On Street  
Tsuen Wan, New  
Territories Hong Kong

## Bank of China (Hong Kong) Limited

56 and 58, Sai Kung Town Centre,  
22-40 Fuk Man Road, Sai Kung,  
New Territories  
Hong Kong

# FINANCIAL HIGHLIGHTS

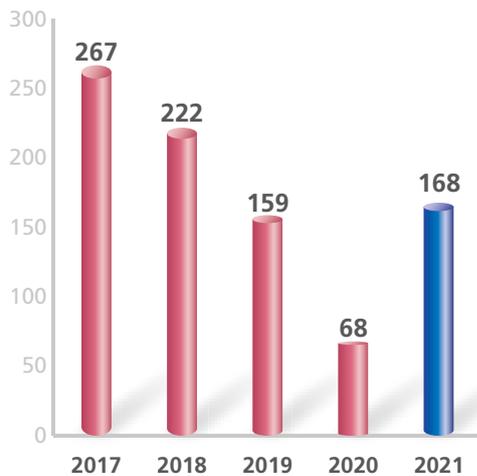
**Revenue** (HK\$ million)



**Total Assets** (HK\$ million)



**Gross Profit** (HK\$ million)



**Profit** (HK\$ million)



# CORPORATE PROFILE

The Group is a multimedia entertainment group in China which engage in three main business segments:

- 1) Through asset-light licensing model to expand the world's No.1 indoor theme park CA SEGA JOYPOLIS brand;
- 2) animation-derived products trading business, meanwhile on this basis, to explore IP online Pop Toy Collectibles platform business;
- 3) Multimedia animation entertainment business focusing on animation IP and VR (including eSports).

CA SEGA JOYPOLIS (formerly known as “**SEGA JOYPOLIS**”) is the world's No.1 indoor theme park brand acquired by the Group from SEGA Holding in 2017. The Group cooperated with different business partners using asset-light licensing model to expand strategic layout of the theme park brand. Currently, the Group operates large theme parks CA SEGA JOYPOLIS in Shanghai and Qingdao China, as well as Tokyo Japan, and license Wonder Forest kids amusement parks in first-tier and second-tier cities in China.

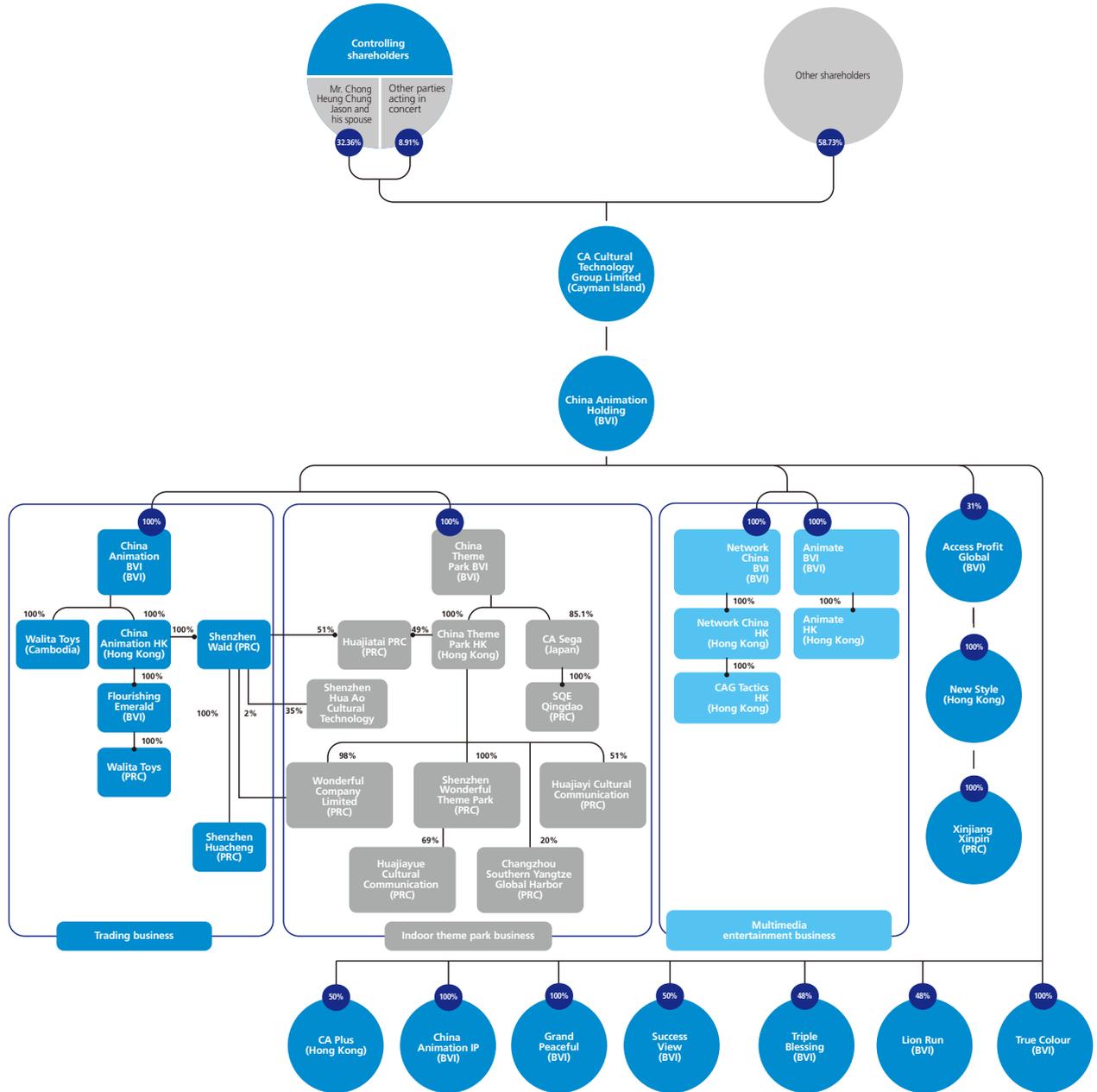
The Group has over 30 years' experience in IP Pop Toy industry (mainly IP Pop Toy manufacturing business), engaged in the trading business as well as relevant value-added services of sales of animation-derived products featuring a wide range of popular third-party owned animation characters (mainly toys).

Most of the customers of the Group are companies in Japan sourcing animation-derived products for toys companies in Japan market for leading outdoor theme parks in Japan and toy distributors of other countries with branches located in Japan. The Group maintained long term and solid client relationships. The Group has accumulated years of experience, resources, and reputation in the animation industry to fully develop IP Pop Toy online platform business.

The Group owns many famous animation IP, including two top 10 national cartoon characters – “Han Ba Gui” and “Violet,” as well as characters from movies and animated dramas such as “The King of Tibetan Antelope”, “Project Egg”, “Animal Conference on the Environment” and “Amazing UU”. China's first virtual artist “Violet” created by the Group has held a number of 3D Holographic Concerts in Shenzhen and Hong Kong since 2015. The Group also enjoys close cooperative relationships with many world-leading IP brands such as “Transformers” in the US, SEGA Sonic the Hedgehog, Initial D, etc. The Group also participated as the second largest shareholder in the co-investment and co-production of the animated series “The Reflection” with international famous partners such as Studio Deen from Japan, Stan Lee “Father of Marvel” which was broadcasted over 38 countries and regions.

The Group established VR eSports and VR O2O game model, and become one of the leaders in VR eSport industry. And the Group hosts “China Animation Cup – National VR eSports Tournament” with the world's first ever VR shooting battle game “Tower Tag”. The Group launched its groundbreaking and self-innovated VR eSports game “Huang Yangjie Battle 黃洋界保衛戰” to promote red tourism and was the only VR game awarded two prestigious industry awards named “Chinese Information Consumption Innovation award 2018 (2018中國信息消費創新獎)” and “Gold Award of Chinese eSports Innovative Software 2019 (2019中國電子競技創新獎軟件金獎)” presented by China Information Industry Trade Association (中國信息產業協會).

Shareholding and Corporate Structure as at 31 March 2021



# CHAIRMAN'S STATEMENT





## CHAIRMAN'S STATEMENT

On behalf of the board (the “**Board**”) of directors of CA Cultural Technology Group Limited (“**CA Cultural**” or the “**Company**”), I am pleased to present the results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 March 2021 (the “**Year under Review**”).

The epidemic was still unstable. There was different degrees of layoff and business closure in different industries and the situation was even worse than what happened during previous economic crisis. However, we could see people’s demand for entertainment culture remained strong, especially when lockdown, social distance policies were adopted. People could not enjoy offline entertainment as before which greatly increased their desire for online entertainment and consumption, whereas accelerated the pace of business transformation and upgrade of the Group.

During the Year under Review, CA Cultural Technology insisted to swim upstream, adopting strict cost control, expanding the operation of animation derivatives department, indoor theme park department and multimedia entertainment business department, and successfully achieved inspiring business progress.

**For animation derivatives business**, there was a steady increase in the number of order, both order volume and revenue have exceeded expectations; **for CA SEGA JOYPOLIS (華夏世嘉樂園) indoor theme park business**, the Group has entered into strategic cooperation with CP Group Thailand (“**CP Group**”) and partner in Indonesia to jointly develop indoor theme park and online Pop Toy collectibles businesses; we have signed licensing agreement with a large developer in the PRC to launch CA SEGA JOYPOLIS indoor theme park in the Greater Bay area; **for multimedia entertainment business**, the Group has further enriched its animation IP resources by acquiring IP patents and obtaining IP product right of a renowned online game in the PRC which possesses 800 million players.

During the Year under Review, the Group has started its pop toy collectible business. Based on our reputation and resources accumulated for over 30 years, we have introduced top IP products from Japan, Mainland China, Europe, and America and more, which in return, gained the recognition and support of the industry partners and investors. Through offline marketing, new membership promotion, IP product promotion events and more, different CA SEGA JOYPOLIS offline theme parks became natural traffic entry of the collectibles platform. The unique dual-track and synergy advantages of “theme park + IP Pop Toy” become our important growth engines in the future.



## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I would like to thank our shareholders, investors and stakeholders for their trust and support, so that we are more determined and stronger enough to face the challenges brought by the epidemic. May I also sincerely thank the colleagues of the Group for holding fast to their positions so that the Group could continue to walk through the storm and gain the recognition from the partners! In the coming future, please continue to support and follow us to witness the growth and transformation of CA Cultural Technology to bring more fruitful returns to our investors and shareholders!

**Chong Heung Chung Jason**

*Chairman*

Hong Kong, 30 June 2021



# MANAGEMENT DISCUSSION AND ANALYSIS

## Industry Review

### The pandemic speeds up transformation of the traditional entertainment industry, while shopping malls and theme parks jointly undergo transformation and upgrade

The pandemic around the world has not yet been curbed, and overseas travelling was restricted which directly promoted domestic tourism and entertainment consumption in the PRC. However, the implementation of social distancing measures has affected the flow of visitors in offline shopping malls; shopping malls and their property developers thus speeded up business reforms to digitize flow of passenger and consumer operation data. At the same time, the property developers and brand merchants have changed their way of cooperation from owner-and-tenant relationship to a new way of cooperation with a two-way visitor traffic flow.

Property developers also targeted at brand power, full-scene amusement experience and strong traffic driver of the IP indoor theme park. Through different kinds of promotions including live streaming, they jointly launched theme park products with different brands to drive traffic of the shopping malls, as well as to increase the duration of stay of the visitors and their amount of money spent.

### Size of IP Pop Toy market reached HKD trillions and becomes a key consumption market

The research reports pointed out that the animation output value in the globe has reached HKD1.2 trillion in 2019 and there were over 400 million ACG users who loved animation IP in the PRC market in 2020, whom most of them were the post-90s and 00s; it was expected that by 2024, the size of online pop toy entertainment market will reach HKD1.4 trillion and becoming a key consumption market.

## Business Overview

Different government adopted different degrees of pandemic precaution measures and encouraged citizens to get vaccinated to fight against COVID-19. However, During the Year under Review, the economy has not yet fully recovered. Since the pandemic in China is generally under control, the Group's business segments in China have resumed operation basically with a year-on-year growth on revenue, as compared with the time when the pandemic was serious during the previous financial year.

The Group has taken strategic investment during the pandemic which somehow temporarily suppressed the profitability of the Group, but it will bring long-term profitability to the Group as business cooperation and strategies successively implement.

During the Year under Review, the Group has made the following achievements:

### 1. Animation derivatives product trading business: steady growth on the number of orders, at the same time launches online pop toy collectibles business

During the Year under Review, the number of orders of animation derivative products in the PRC and Southeast Asia market recorded growth. In order to satisfy with the need of the new orders, the Group has upgraded production capacity of the factories. Meanwhile, the factories continued to strengthen its precaution measures to fight against COVID-19 as well as quality control to ensure "ZERO infection" of all client products, "ZERO complaint" on our orders and to make sure all our clients could receive goods on time in such a hardly charged time during pandemic.

Meanwhile, during the Year under Review, the Group has officially started its pop toy collectible business. Based on our reputation and resources accumulated for over 30 years, we have introduced top IP products from Japan, Mainland China, Europe, and America, which in return, gained the recognition and support of the industry partners and investors. Through offline marketing, new membership promotion and IP product promotion events, different CA SEGA JOYPOLIS offline theme parks became a natural traffic entry of the collectibles platform. The unique dual-track and synergy advantages of "theme park + IP Pop Toy" become our important growth engines in the future.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Overview (Continued)

### 2. Indoor theme park business: jointly develops CA SEGA JOYPOLIS indoor theme park with CP Group and other partners

Currently, the Group has three self-owned CA SEGA JOYPOLIS located in Tokyo Japan, Shanghai and Qingdao China.

With the basis of the successful operation of self-owned theme parks, the Group continued to promote asset-light licensing model of the theme park during the Year under Review, and has entered long term licensing cooperation with partners in overseas and the PRC.

For licensing business in the overseas market, the Group has entered strategic cooperation with CP Group Thailand (known as “**CP Group**”) in March 2021 to introduce and build “CA SEGA JOYPOLIS Light” containing popular animation IP amusement experiences in partnered shopping malls in the globe. A special booth will be set up to sell IP pop toy products to allow traffic introduction, joint promotion and marketing among indoor parks, online Pop Toy collectibles platform and the partnered shopping malls.

For licensing business in the PRC market, the large licensed indoor theme park CA SEGA JOYPOLIS will be launched in Zengcheng District, Guangzhou in the third quarter of 2021. This project is an integrated creativity, cultural and tourism land development project, with a gross floor area of over 170,000 square meters, led by Junming Group, a leading property developer in Guangzhou. The CA SEGA JOYPOLIS indoor theme park has covered construction area of 20,000 square meters of the whole project. The Group received licensing fee and equipment sales fee from Junming Group to inject into the CA SEGA JOYPOLIS brand, while the CA SEGA Japan team conducted project design and planning. The Group could enjoy shared revenue of the theme park every year as royalty fee.

In addition, the Group has also carried out pre-feasibility studies for the theme park projects in the PRC for land developers, which contributed revenue brought by the pre-research and site planning. Introduction of world-class CA SEGA JOYPOLIS to these land development projects could enhance its cultural industry value to fulfill the government’s requests for regional industrial development.

### 3. Multimedia animation entertainment business: enriches its self-owned IP matrix

During the Year under Review, the Group has completed several national IP acquisitions to further enhance its self-owned IP resources, to get ready for the synergies with other businesses, such as indoor theme park business, animation derivatives product business in the future, to increase the Group’s profitability.

## Financial Review

The following sets forth a summary of the performance of the Group for the year ended 31 March 2021 with comparative figures for the latest year as follows:

	For the year ended 31 March	
	2021	2020
Revenue (HK\$'000)	478,309	391,814
Gross profit (HK\$'000)	167,700	67,769
Gross profit margin (%)	35.1	17.3
Profit attributable to owners of the Company (HK\$'000)	83,086	105,222

## Financial Review (Continued)

### Revenue

The revenue increased by approximately HK\$86.5 million, or approximately 22%, compared to the approximately HK\$391.8 million for the year ended 31 March 2020 to approximately HK\$478.3 million for the year ended 31 March 2021. The increase was primarily due to the new business of provision of theme park design and consultancy service to projects cooperated with land developers which contributed of approximately HK\$113 million of revenue during the year ended 31 March 2021. The another factor attributable to the increase was mainly the equipment sales to Junming Group for indoor theme park that will be launched in Zengcheng District, Guangzhou in the third quarter of 2021.

### Sales of animation derivative products

The revenue from sales of animation derivative products increased by approximately 1.4% from approximately HK\$137.3 million for the year ended 31 March 2020 to approximately HK\$139.2 million for the year ended 31 March 2021. The increase was primarily due to the recovery from the outbreak of the COVID-19 and the resumption of manufacturing of the Group major supplier's factory in Shenzhen, which was temporary suspended for the year ended 31 March 2020.

### Establishment and operation of indoor theme parks

The revenue from establishment and operation of indoor theme parks, including sales of admission tickets and sales of theme park machineries dropped by approximately 37% from approximately HK\$226.3 million for the year ended 31 March 2020 to approximately HK\$142.5 million for the year ended 31 March 2021. The drop was mainly because of the lockdown measures imposed by Japan and PRC government due to COVID-19, and partially offset by the increase in sales of theme park machineries due to the increase in sales of equipment to Junming Group.

The number of visitors based on ticket sales decreased by approximately 23.5% from approximately 1.7 million for the year ended 31 March 2020 to approximately 1.3 million for the year ended 31 March 2021.

The analysis of the number of visitors is set out below:

	2021 '000	2020 '000
PRC	1,053	1,158
Japan	202	589

The decrease in visitors was primarily due to the outbreak of the COVID-19, the operations of the theme park in Japan was affected by pandemic precaution measures while alternative measure were implemented to attract visitors even affected by COVID-19 in the PRC.

### Multimedia animation entertainment

The revenue from multimedia animation entertainment increased by approximately HK\$55.3 million, or approximately 195%, from approximately HK\$28.3 million for the year ended 31 March 2020 to approximately HK\$83.6 million for the year ended 31 March 2021. The revenue from multimedia animation entertainment included income from licencing of animation characters, income for ticket sales for VR Game Centre, trading of VR gaming machines and event activities. The increase was primarily due to the increase in income from licencing the IP rights to the business partner of a land developer during the year ended 31 March 2021.

### Revenue from provision of theme park design and consultancy service

During the year ended 31 March 2021, the Group cooperated with land developers to provide IP rights licencing, projects planning ,designs and feasibility studies.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Review (Continued)

### Cost of sales and services

The cost of sales and services decreased by approximately HK\$13.9 million, or approximately 4.3%, from approximately HK\$324.0 million for the year ended 31 March 2020 to approximately HK\$310.1 million for the year ended 31 March 2021. The decrease was mainly due to the operations of CA SEGA JOYPOLIS was affected by the pandemic precaution measures implemented in Japan resulting in drop of payroll to staffs and rent concession granted by landlord.

### Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$99.9 million, or approximately 147%, from approximately HK\$67.8 million for the year ended 31 March 2020 to approximately HK\$167.7 million for the year ended 31 March 2021. The Group's gross profit margin increased from approximately 17.3% for the year ended 31 March 2020 to approximately 35.1% for the year ended 31 March 2021. The increase in gross profit and gross profit margin was mainly due to the licencing fee and service fee earned from projects cooperated with land developers which have higher profit margin than the sales of admission tickets and animation derivative products.

### Other income

Other income increased by approximately HK\$3.8 million from approximately HK\$4.6 million for the year ended 31 March 2020 to approximately HK\$8.4 million for the year ended 31 March 2021. The increase was primarily due to government grant of HK\$6.8 million was received by CA SEGA JOYPOLIS during the year ended 31 March 2021.

### Other gains and losses

Other gains and losses significantly decreased by approximately HK\$77.5 million from approximately HK\$130.1 million for the year ended 31 March 2020 to approximately HK\$52.6 million for the year ended 31 March 2021. This significant decrease was due to (i) absence of the one-off income arising from the disposals of certain intangible assets resulting a gain of approximately HK\$101.4 million, which was incurred during the year ended 31 March 2020.

### Selling and distribution expenses

The selling and distribution expenses decreased by approximately HK\$10.5 million, or approximately 44.9%, from approximately HK\$23.4 million for the year ended 31 March 2020 to approximately HK\$12.9 million for the year ended 31 March 2021. The Group's selling and distribution expenses as a percentage of revenue decreased from approximately 6.0% for the year ended 31 March 2020 to approximately 2.7% for the year ended 31 March 2021. The decrease was primarily due to the outbreak of the COVID-19. The expenditure spent on advertising and promotion was decreased.

### Research and development expenses

The research and development expenses decreased by approximately HK\$8.5 million from approximately HK\$19.4 million for the year ended 31 March 2020 to approximately HK\$10.9 million for the year ended 31 March 2021. The decrease was primarily due to the temporary suspension of the operations of the theme parks in Japan due to the outbreak of the COVID-19, resulting in temporary suspension of research project.

## Financial Review (Continued)

### Profit attributable to owners of the Company

The profit attributable to owners of the Company decreased by approximately HK\$22.1 million, or approximately 21.0%, from approximately HK\$105.2 million for the year ended 31 March 2020 to approximately HK\$83.1 million for the year ended 31 March 2021. The decrease was primarily due to the absence of the one off incomes earned for the year ended 31 March 2020 including (i) gains of HK\$101.4 million were recognised on disposals of certain intangible assets during the year ended 31 March 2020; and (ii) a gain of HK\$162.0 million on disposal of 50% equity interest in a subsidiary was recognised during the year ended 31 March 2020. For the year ended 31 March 2021, the aforementioned form of revenue was absent, but the core business of the Group was better as shown by the increase in revenue of approximately HK\$86.5 million compared with last year.

### Deposits for acquisition of property, plant and equipment

	2021 HK\$'000	2020 HK\$'000
<b>Project</b>		
Development and establishment of new Wonder Forest	225,413	230,880
Development and establishment of new Joypolis	145,206	148,876
	<b>370,619</b>	<b>379,756</b>

### Other receivables, deposits and prepayments

The amount was increased by HK\$99.1 million from HK\$335.9 million for the year ended 31 March 2020 to HK\$435.0 million for the year ended 31 March 2021. The increased was mainly due to the sales proceed receivable amounting to HK\$80.5 million from the disposals of property, plant and equipment of 深圳華利達 as the Group has undergone a restructuring for the preparation of the development of Pop Toy Collectible ecommerce platform.

## Business Prospects

“CA SEGA JOYPOLIS indoor theme park + Pop Toy Collectible ecommerce platform” will be the dual driving force of the Group. Next, the Group will implement the cooperation intentions which was made during the Year under Review to welcome the growing indoor theme park market and online IP pop toy platform market.

Another licensed large indoor theme park CA SEGA JOYPOLIS project (10,000 square meters or more) will be launched in Jiangmen City, Guangdong Province China. The Group has also authorized a well-known property developer in the Mainland China to launch several large indoor theme park CA SEGA JOYPOLIS in China in the coming ten years, to further optimize the Group's theme park layout. For overseas theme park project, corresponding planning will be kicked off when the pandemic becomes stable.

Moreover, small-to-mid indoor kids theme park CA SEGA JOYPOLIS Kids (3,000-5,000 square meters, containing animation IP as theme) will quickly manipulate in different cities in China in terms of chain-stores, which will bring considerable revenue to the Group and enhance the brand power of CA SEGA indoor theme park.

In order to strengthen the synergy and operation efficiency of different business segments of the Group, the Group plans to introduce offline traffic of the park to online Pop Toy Collectibles platform via APP. IP Pop Toy special booth will be set up in the indoor parks to host IP events including IP parades, KOL live streaming and more, to attract more animation IP lovers to visit theme parks to experience, at the same time, encourage more followers and sales of the online platform.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Use of Net Proceeds from the Global Offering

The Company has received net proceeds of approximately HK\$298.6 million after deducting the underwriting fee and commissions and relevant expenses in connection with the global offering on 12 March 2015. As at 31 March 2021, approximately HK\$251.0 million of the net proceeds had been used by the Group. The unutilised net proceeds were deposited with a licenced bank in Hong Kong. The following sets forth a summary of the utilisation of the net proceeds:

	Original planned allocation of net proceeds from the Global Offering		Actual utilised as at 31 March 2021	Unutilised as at 31 March 2021
	%	HK\$'million	HK\$'million	HK\$'million
For the capital expenditure and the working capital for the Shanghai JOYPOLIS and for use in planning the next JOYPOLIS	40.0	119.4	119.4	–
For possible investment in, acquisition of, and/or formation of strategic cooperation with, domestic or international companies which operate animation-related businesses, including without limitation, animation-related event organisers, mobile and internet applications developers and animation-related multi-media platforms	30.0	89.6	42.0	47.6
For the development, production and technical enhancement of music animation concerts and the related promotional and marketing activities and the development of consignment sales business	20.0	59.7	59.7	–
For working capital and general corporate purposes	10.0	29.9	29.9	–
<b>Total</b>	<b>100.0</b>	<b>298.6</b>	<b>251.0</b>	<b>47.6</b>

### Capital Structure, Liquidity and Financial Resources

As at 31 March 2021, the authorised share capital of the Company was HK\$500.0 million divided into 5,000,000,000 shares of HK\$0.1 each and the issued share capital of the Company was approximately HK\$98.1 million divided into 981,702,000 shares of HK\$0.1 each.

As at 31 March 2021, the cash and bank balances of the Group were approximately HK\$56.0 million (31 March 2020: approximately HK\$52.8 million). The Group was maintaining similar level to that of last year.

As at 31 March 2021, the Group had a gearing ratio (calculate as bank and other borrowings, lease liabilities, guaranteed note and bonds, divided by total assets) of approximately 31.4% (31 March 2020: approximately 35.8%).

During the year ended 31 March 2021, the Company issued bonds in par in an aggregate principal amount of HK\$72.9 million (31 March 2020: HK\$116.7 million). The bonds are denominated in HK\$ and are unlisted. The bonds are unsecured and carry interest at a nominal rate ranging from 5.5% to 9% per annum, payable monthly, semi-annually and annually in arrears with a maturity period ranging from 1 to 7.5 years. The proceeds were mainly utilised for the development of indoor theme park business and as general working capital of the Group.

During the year ended 31 March 2021, the Company repaid principal amount of HK\$20 million guaranteed note. The outstanding principal of HK\$80 million has been renewed to mature on 26 September 2021 at a coupon rate of 8.5%. The interest on the guaranteed note is payable semi-annually in arrears and is denominated in HK\$.

### Treasury Policies

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the year ended 31 March 2021. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage the liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

### Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 March 2021 (2020: Nil HK cents per share). Due to the global economic environment has been severely affected by the outbreak of COVID-19, the Board believes that it is in the best interest for the Group to keep more liquidity and sufficient working capital for the forthcoming year and will resume for the distribution of dividend when the economy is back to normal.

### Significant Investments Held

In August 2015, the Group entered into a strategic partnership agreement with an independent third party to enter into a long-term strategic alliance and partnership to collaborate across VR technology projects. The Group paid RMB4.5 million (equivalent to HK\$5.4 million) as deposit for acquisition of long term investment, on a priority basis, to invest or co-invest in VR technology projects.

In January 2017, the Group acquired 85.1% of the issued shares of SEGA Live Creation Inc. (now renamed as “**CA SEGA JOYPOLIS Co. Limited**”) under SEGA Holdings Group Japan at a consideration of 600.00 million yen and has become a non-wholly owned subsidiary to develop indoor amusement park business in the Greater China Region and over the globe.

### Future Plans for Material Investments and Capital Assets

The Group will continue to expand CA SEGA JOYPOLIS theme park business in the globe through licensing the theme park to different partners in the PRC and overseas to increase brand awareness of the theme park whereas attract more fans around the world. The Group will invest and introduce online theme park membership system to add online theme park, online VR education and all kinds of VR amusement experience technology to explore more source of revenue.

The Group will also integrate its quality animation IP as well as its international derivative production technology with popular O2O sales platforms to sell well-known original and quality animation IP derivatives products.

In addition, the Group will continue to make breakthroughs in VR technology. The Group will invest in global wireless VR eSports network and establish a global user database to have a better understanding on the consumption habits and preference in the VR eSports market, and to generate better synergies with theme park business and IP business.

The Board believes that, the continuous promotion of the Group's animation cultural and technology business allows the Group to explore more opportunities to make profit from quality “Culture + Property” projects. The Group will cooperate with the PRC government and other property developers or investors to develop animation cultural and technology industry in different regions in the PRC. The Group will inject its industry resources with low capital investment in exchange for higher profit return from the projects.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Mortgages and Pledges

As at 31 March 2021, a bank deposit of the Group with a carrying value of approximately HK\$3.6 million (31 March 2020: approximately HK\$15.1 million) was pledged to a bank for banking facilities obtained.

### Contingent Liabilities

The Group did not have significant contingent liabilities as at 31 March 2021 (31 March 2020: Nil).

### Foreign Exchange Exposure

There has been no significant change in the Group's policy in terms of exchange rate risks. The Group's transactions are mainly denominated in Hong Kong dollars, Renminbi, Japanese Yen or US dollars. Management of the Group is closely monitoring foreign exchange risks and would consider the use of hedging instruments as and when appropriate.

### Significant Events after the Reporting Period

The wide spread of COVID-19 since the beginning of 2020 is a fluid and challenging situation facing all the industries of the society. The Group has already assessed the overall impact of the situation on the operation of the Group and taken all possible effective measures to limit and keep the impact in control. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future.

### Environmental Policy

The Group is committed to the protection of the environment. The Group adheres to the principle of recycling and energy saving. The Group has encouraged and motivated our staff to be environmentally friendly in the office including the use of recycled papers for printing and photocopying and reducing electricity consumption by switching off idle lighting and electrical appliances when they are not in use.

### Employees and Remuneration Policies

As at 31 March 2021, the Group had 284 employees (31 March 2020: 357 employees). The decrease in number of staff was mainly due to optimising the staffing structure for JOYPOLIS during the year. For the year ended 31 March 2021, employees' remuneration and benefits in kind and contribution to the pension scheme (including the Directors' remuneration and benefits in kind and contribution to the pension scheme) amounted to approximately HK\$91.5 million (31 March 2020: approximately HK\$104.4 million). The decrease was mainly attributable to the decrease of approximately HK\$11.9 million in employee remuneration. The Group's remuneration package is determined with reference to the experience and qualification of the individual employees and the general market conditions. The Group also ensures that all employees are provided with adequate training and continued professional opportunities according to their needs. A share option scheme has been established to provide incentives and remuneration to eligible Directors and employees of the Group in recognition of their contributions. On 29 February 2016, 21,455,400 options have been granted to the eligible Directors, employees and two consulting firms pursuant to the share option scheme adopted by the Company on 16 February 2015. During the year ended 31 March 2018, 8,582,160 options granted to a consulting firm were cancelled. The remaining options of 12,873,240 were expired and lapsed during the year ended 31 March 2021.

### Purchase, Sale or Redemption of Securities

Save as the repayment of guaranteed note and the placing of bonds as disclosed under the section headed "**Capital Structure, Liquidity and Financial Resources**" in this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the year ended 31 March 2021.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## Executive Directors

**Mr. CHONG Heung Chung Jason (莊向松)**, aged 52, is our founder, our executive Director and our Chief Executive Officer. Mr. CHONG was appointed as an executive Director on 20 November 2014. Mr. CHONG is also the Chairman of our Board. Mr. CHONG is primarily responsible for conducting the business of our Group and formulation of business and strategic development of our Group. Mr. CHONG has approximately 24 years of experience in the toy industry. Prior to establishing our Group, Mr. CHONG, together with a business partner, started the toy sales business in July 1996 through the acquisition of all issued share capital of Sino Action as a shelf company. During the period between July 1996 and March 2008, Mr. CHONG was a shareholder of Sino Action holding 50.0% of its shares in issue. Mr. CHONG sold all his equity interest in Sino Action in March 2008 in order to focus on the business development of China Animation BVI.

In May 2009, Mr. CHONG completed a part-time course of “Advanced Training Programme for Executives on Private Equity Investment Fund and Financing by way of Listing on Growth Enterprise Market” (私募股權投資基金和創業板上市融資總裁研修班) organised by Tsinghua University (清華大學). In March 2012, Mr. CHONG completed a part-time course of “Telaote Strategic Positioning” (特勞特戰略定位總裁班) organised by Peking University (北京大學).

Mr. CHONG was elected to serve as a representative of the People’s Congress of Shenzhen City Committee (深圳市人民代表大會代表) from June 2015 to May 2020. Mr. CHONG has been the Vice President and Deputy Chairman of Shenzhen City Longgang District General Chamber of Commerce (Association of Industry and Commerce) (深圳市龍崗區總商會(工商聯)), the Honorary President of eSports Association, Guangdong province, China (中國廣東省電競協會榮譽會長) Congress Executive Director of China Cultural Industry Association (中國文化產業協會常務理事), and the Enforcement Supervisor in the fourth term of the Municipal People’s Procuratorate of Shenzhen City (深圳市人民檢察院第四屆執法監督員). Mr. CHONG was appointed as the supervisor of the Buji Customs of Shenzhen (深圳布吉海關監督員) for the period between 1 September 2012 to 1 August 2014.

**Mr. TING Ka Fai Jeffrey (丁家輝)**, aged 56, was appointed as an executive Director on 20 November 2014. Mr. TING is our Chief Operating Officer. Mr. TING joined our Group in January 2014, before which Mr. TING worked for Wah Shing during the period between 2008 and 2013 primarily on overseeing the production of the toy products by Wah Shing for Sino Action/China Animation BVI. Mr. TING is principally responsible for overseeing our daily business operations including the sales and the production activities and the implementation of our business plans. Mr. TING has approximately six years of experience in the merchandising industry. Before joining our Group and Wah Shing, Mr. TING was the deputy general manager with Tohki Enterprise Co., a furniture manufacturer, from 1 September 1992 to 31 July 1998. Mr. TING obtained the degree of bachelor of arts from the University of Western Australia in March 1991.

**Ms. LIU Moxiang (劉茉香)**, aged 46, was appointed as an executive Director on 20 November 2014. Ms. LIU joined Shenzhen Wald in June 2012. Ms. LIU is principally responsible for implementing our business plans and strategies. Prior to joining our Group, Ms. LIU worked in sales team of エイメツクストレーディング (Aimex Trading Co., Ltd.\*) from April 2004 to July 2005. From October 2005 to June 2007, Ms. LIU worked for Walita Toys and Gifts Co., Ltd., Shenzhen as an assistant to the senior executives. Ms. LIU was the executive manager of Shenzhen Huaxia between June 2007 and June 2012. Ms. LIU graduated from 九江學院 (Jiujiang University\*) (formerly known as 九江財經高等專科學校 (Jiujiang College of Finance and Economics\*)) in July 1999 on international business. From October 1999 to March 2001, Ms. LIU attended Kobe YMCA Japanese Language School in Japan. Ms. LIU studied business administration in Kobe Gakuin University, Graduate School of Economics, in Japan from April 2002 to March 2004 and received a master degree of arts in business administration.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Independent Non-Executive Directors

**Mr. NI Zhenliang (倪振良)**, aged 75, was appointed as an independent non-executive Director on 20 November 2014. Mr. NI is currently the Chairman of the Hong Kong-Greater China Expert Calligraphy Association (香港大中華名家書畫會) and the Shenzhen Municipal Marketing Institute (深圳市市場學會) in the PRC. Mr. NI is also a member of the Federation of Hong Kong Writers (香港作家聯會) in Hong Kong. In April 1974, Mr. NI worked at the PRC State Education Commission (中華人民共和國國務院科教組), an agency of the PRC State Council. In May 1975, the PRC State Education Commission was renamed as the PRC Ministry of Education. Mr. NI worked as the editor, supervisor and officer of 《人民教育》, a publication of the PRC Ministry of Education, until March 1994. From April 1994 to December 2003, Mr. NI held various senior positions in newspapers in Hong Kong and PRC, namely Executive Deputy Editor-in-chief of the publication of "General Affairs in the Society of Democracy and Legal System" 《民主與法制》 in the PRC, President of the Elderly Chinese Newspaper Society 《中華老年報社》 in the PRC, Deputy Editor-in-chief of Ta Kung Pao (大公報) in Hong Kong and Editor-in-chief of the online version of Wen Wei Po (文匯報) in Hong Kong. Mr. NI has also participated in a number of literary societies in the PRC. Mr. NI has been a council member of the Chinese Writers Association (中國作家協會) since 1988, the Chinese Jurists Society (中國法學會) since 1996, the Chinese Reportage Society (中國報告文學學會) since 1993, the Society of Chinese Literary Biography (中國傳記文學學會) since 1994, and the Association of Chinese Senior Professors (中國老教授協會) since 1994. In September 1993, Mr. NI was appointed as a professor by the Association of Chinese Senior Professors.

**Mr. TSANG Wah Kwong (曾華光)**, aged 69, was appointed as an independent non-executive Director of the Company on 20 November 2014. He is also the chairman of the Audit Committee and a member of both the Remuneration Committee and Investment Committee of the Company. Mr. TSANG is a former partner of PricewaterhouseCoopers in Hong Kong and China and has over 30 years of experience in auditing and providing support for initial public offerings and acquisition transactions. Mr. TSANG received a bachelor's degree in business administration from the Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Chinese Institute of Certified Public Accountants and a fellow member of the Chartered Association of Certified Accountants.

Currently, Mr. TSANG is an independent non-executive director of the following companies listed on the Hong Kong Stock Exchange: China Merchants China Direct Investments Limited (stock code: 133), Sihuan Pharmaceutical Holdings Group Limited (stock code: 460), TK Group (Holdings) Limited (stock code: 2283) and Shirble Department Store Holdings (China) Limited (stock code: 312). Mr. Tsang is an independent director of HUYA Inc. (listed on the New York Stock Exchange, stock code: HUYA). Mr. TSANG was an independent director of Ping An Securities Group (Holdings) Limited (listed on the Hong Kong Stock Exchange, stock code: 231) from February 2016 to March 2020.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. HUNG Muk Ming (洪木明)**, aged 56, was appointed as an independent non-executive Director on 20 November 2014.

Mr. HUNG has over 29 years of experience in auditing, finance and accounting. Since February 2017, Mr. HUNG has been the director of Hua Guan New Materials Company Limited (華冠新型材料股份有限公司), a subsidiary of Guangdong Mingcrown Group Limited (廣東名冠集團有限公司). Before that he was the group financial controller of Guangdong Mingcrown Group Limited (廣東名冠集團有限公司), a company engaging in construction, property development, hotels, steel production and ports businesses in Dongguan and Xinhui, the PRC. From October 2002 to January 2005, Mr. HUNG was the group financial controller of Hoi Meng Group (開明集團), a company engaging in garment design, manufacturing and export with production facilities in the PRC, Macau and Cambodia. From July 2001 to September 2002, Mr. HUNG worked as a finance manager of Hong Kong Exchanges and Clearing Limited (Stock code: 388), a company listed on the Stock Exchange. From November 1994 to July 2001, Mr. HUNG was the accounting manager of financial control department of Embry (H.K.) Limited. From August 1990 to November 1994, Mr. HUNG was promoted from accountant to senior accountant I of Price Waterhouse (now known as PricewaterhouseCoopers). Mr. HUNG is currently an independent non-executive director and chairman of the audit committee of Cinda International Holdings Ltd. (Stock code: 111), a company listed on the Stock Exchange, an independent non-executive director and chairman of the audit committee of Silver Grant International Holdings Group Limited (Stock code: 171), a company listed on the Stock Exchange, an independent non-executive director and chairman of the audit committee of Century Sage Scientific Holdings Ltd. (Stock code: 1450), a company listed on the Stock Exchange, and an independent non-executive director, chairman of the audit committee and a member of nomination committee of IBO Technology Company Limited (Stock code: 2708), a company listed on the Stock Exchange. From September 2004 to February 2006, Mr. HUNG was the independent non-executive director and chairman of the audit committee of Rontex International Holdings Ltd. (Stock code: 1142), a company listed on the Stock Exchange.

Mr. HUNG received a bachelor's degree in social sciences with a major in economics, finance and accounting from the University of Hong Kong in December 1990. Mr. HUNG obtained a master's degree in corporate governance from Hong Kong Polytechnic University in October 2008. Mr. HUNG has been a fellow member of the Hong Kong Institute of Directors since November 2009, associate of Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries & Administrators since February 2009, a fellow member of the Hong Kong Institute of Certified Public Accountants since July 2001, a fellow member of the Association of Chartered Certified Accountants since January 1999 and a Certified Public Accountant (Practising) of HKICPA since November 1994.

### Honourable Chairman

**Mr. Shinichiro IKEDA (池田慎一郎)**, aged 63, is our Honorable Chairman advising us on our overall business directions and the strategic planning. Mr. IKEDA was appointed as our Honourable Chairman on 16 February 2015. Mr. IKEDA has approximately 29 years of experience in the toy merchandising and animation design and production industries in Japan. Mr. IKEDA is the chairman & CEO of IMA Group, the president of 株式会社ソル・インターナショナル (SOL International Inc.\*), a company engaging in distribution of toy products in Japan, the president of 株式会社スタジオティーン (Studio Deen Inc.\*), a company engaging in animation production and other related business activities, the director of 一般財団法人日本漫画事務局八月十五日の會 (Japanese Cartoon (manga) Office 8.15\*), an general incorporated foundation run by comics artists in Japan, voluntarily actives for world peace, and the Chairman of Suzhou Deen Animation Co., Ltd (蘇州丹尼動畫有限公司). Mr. IKEDA graduated from Dokkyo University, Japan with a bachelor's degree in law in March 1983.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Senior Management

**Mr. WONG Yee Shuen Wilson (黃以信)**, aged 54, is our Chief Financial Officer. Mr. WONG joined us on 1 November 2014. Mr. WONG is responsible for the financial management and strategic planning of our Group. Mr. WONG is a fellow member of the Hong Kong Institute of Certified Public Accountants and member of Australia CPA and Australian Institute of Banking and Finance. With more than 20 years of experience in PricewaterhouseCoopers and Ernst and Young. He holds a master of commerce degree, majoring in banking and finance from the University of New South Wales. Mr. WONG specializes in the area of auditing banks and listed companies.

Mr. WONG is currently an independent non-executive director of PT International Development Corporation Limited (stock code: 372), a company listed on the Main Board of the Stock Exchange and an independent non-executive director of Softpower International Limited (stock code: 380), a company listed on the Main Board of the Stock Exchange and an independent non-executive director of Ping An Securities Group (Holdings) Limited (stock code: 231), a company listed on the Main Board of the Stock Exchange.

**Mr. LUK Sik Tat (陸適達)**, aged 46, is our finance manager and our company secretary. Mr. LUK joined us on 21 June 2012. Mr. LUK is responsible for the accounting and financial management of our Group. Mr. LUK has approximately 22 years of experience in accounting and finance. During the period between November 2008 and May 2012, Mr. LUK served as a supervisor in financial reporting with MIQ Logistics Hong Kong Limited, a provider of global, transportation and distribution services and a former subsidiary of YRC Worldwide, an assistant manager at Crowe Horwath (HK) CPA Limited (formerly known as CCIF CPA Limited) from November 2006 to November 2008, an audit senior at Wong Lam Leung & Kwok C.P.A. Limited from March 2004 to July 2006, an audit semi-senior and audit senior at K.W. Tam & Co. from September 2000 to January 2003 and from February 2003 to February 2004, respectively, an auditor II at K. L. Wong & Co. from April 1999 to May 2000 and an audit junior at Tai, Kong & Co. from June 1997 to December 1998.

Mr. LUK graduated from the City University of Hong Kong with a bachelor's degree of arts in accountancy in 1997. Mr. LUK has been a fellow member of the Hong Kong Society of Accountants since July 2013 and a fellow member of the Association of Chartered Certified Accountants since July 2008.

**Mr. ZHAN Zhengli (詹正禮)**, aged 51, is our production management and control manager. Mr. ZHAN joined us on 1 July 2012. Mr. ZHAN is responsible for product management and control of our Group. Mr. ZHAN has relevant experience in production management. Before joining us, Mr. ZHAN worked at Wah Shing and was responsible for the operation of production systems during the period between May 2004 and June 2012.

Mr. ZHAN graduated from 杭州大學 (Hangzhou University) with a bachelor's degree in business management in July 1990.

# CORPORATE GOVERNANCE REPORT

CA CULTURAL TECHNOLOGY GROUP LIMITED (the “**Company**”) is committed to maintain a high standard of corporate governance. The board of directors of the Company (the “**Board**”) and management maintain and enhance the policies and practices of the Company on a timely, transparent, effective and reasonable manner, so as to maintain good, solid and reasonable corporate governance. The Company believes that good corporate governance is not only in the interest of shareholders and investors but also in the interest of the Company. The Company will continue to raise the standard to formalize the best practice of corporate governance as far as we could.

## Corporate Governance Code

The Company has complied with the principles and applicable code provisions (“**Code Provisions**”) set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) except code provision A.2.1 as more particularly described in the following paragraphs during the year ended 31 March 2021.

## Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 of the Listing Rule as its own conduct regarding securities transaction by Director of the Company. Having made specific enquiries with the directors of the Company (“**Directors**”), all Directors confirmed that they had complied with the required standard as set out in the Model Code throughout the year ended 31 March 2021.

The Company has adopted a dividend policy which sets out the basic principles in determining the distribution of the dividends to the Shareholders (the “**Dividend Policy**”).

In proposing any dividend payout, the Board shall take into account, inter alia:

- (i) the Company and its subsidiaries’ (collectively, the “**Group**”) actual and expected financial performance;
- (ii) Shareholders’ interests;
- (iii) general business conditions and strategies;
- (iv) retained earnings and distributable reserves of the Company and each of the other member(s) of the Group;
- (v) the level of the Group’s debts to equity ratio, return on equity and financial covenants to which the Group is subject to;
- (vi) any contractual restrictions on payment of dividends by the Company to its Shareholders or by the Company’s subsidiaries to the Company;
- (vii) the Group’s expected working capital requirements and future expansion plans;
- (viii) liquidity position and future commitments at the time of declaration of dividend;
- (ix) taxation considerations;
- (x) possible effects on the Group’s creditworthiness;
- (xi) statutory and regulatory restrictions;
- (xii) general economic conditions, business cycle of the Group’s business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- (xiii) other factors that the Board deems appropriate.

Except in the case of interim dividends to be paid out of profit, dividends declared by the Company must be approved by an ordinary resolution of the Shareholders and must not exceed the amount recommended by the Board.





# CORPORATE GOVERNANCE REPORT

## Board of Directors

### Composition

The Board comprises six Directors, including three executive Directors, Mr. CHONG Heung Chung Jason (the Chairman and Chief Executive Officer of the Company), Mr. TING Ka Fai Jeffrey (the Chief Operating Officer of the Company) and Ms. LIU Moxiang; and three independent non-executive Directors, Mr. NI Zhenliang, Mr. TSANG Wah Kwong and Mr. HUNG Muk Ming. There was no change in the composition of the Board during the year ended 31 March 2021. Biographical details of the Directors are set out in the section headed “BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT” of this annual report.

### Responsibilities of the Board and Management

The Board is primarily responsible for overseeing and managing the Company’s affairs, including the responsibilities for the adoption of long-term strategies and appointing and supervising senior management to ensure that the operation of the Group is conducted in accordance with the objective of the Group.

The Board is also responsible for determining the Company’s corporate governance policies which include:

- (a) To develop and review the Company’s policies and practices on corporate governance;
- (b) To review and monitor the training and continuous professional development of Directors and senior management;
- (c) To review and monitor the Company’s policies and practices to ensure compliance with legal and regulatory requirements;
- (d) To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (e) To review the Company’s compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules and its disclosure requirements in the Corporate Governance Report.

## Board of Directors (Continued)

### Responsibilities of the Board and Management (Continued)

During the year ended 31 March 2021, the Board had reviewed the Company's corporate governance policies and practices, training and continuing professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various Board committees which have been established by the Board to deal with different aspects of the Company's affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these Board committees are governed by the Company's articles of association as well as the Board's policies and practices (in so far as the same are not in conflict with the provisions contained in the articles of association). With the nomination committee, the remuneration committee and the audit committee, the independent non-executive Directors will be able to effectively devote their time to perform the duties required by the respective Board committees.

The Board has also delegated the responsibility of implementing its strategies and the day-to-day operation to the management of the Company under the leadership of the executive Directors. Clear guidance has been made as to the matters that should be reserved to the Board for its decision which include matters on, inter alia, capital, finance and financial reporting, internal controls, communication with shareholders, Board membership, delegation of authority and corporate governance.

The Board acknowledges its responsibility for the preparation of the financial statements which give a true and fair view of the state of financial position and financial performance of the Group. The financial statements set out on pages 56 to 159 were prepared on the basis set out in note 3 to the financial statements. Financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements. The declaration of reporting responsibility issued by the external auditors of the Company on the financial statements is set out in the Independent Auditors' Report on pages 48 to 55.

The Board has balance of skills, knowledge and experience appropriate for the requirements of the business and to complement the Company's corporate strategy. The Board membership is covered by professionally qualified and widely experienced personnel to bring in valuable contributions and different professional advices and consultancy for development of the Company. All Directors have separate and independent access to the advice and services of the senior management and the company secretary with a view to ensuring the board procedures, and all applicable rules and regulations are followed. The principal functions of the Board are to supervise the management of the business and affairs; to approve the strategic plans, investment and funding decision; to review the Group's financial performance and operating initiatives.

The Board, led by the Chairman, is responsible for formulating overall strategy and polices, monitoring and controlling the performance of the Group. In addition to its overall supervisory role, the Board also retains specific responsibilities such as approving financial accounts, approving annual budget, recommending dividend payments, approving policies relating to the Board's compliance, etc. whilst managing the Group's day-to-day operations is the responsibility of the management of the Group (the "**Management**") such as implementing internal control, business strategies and plans set by the Board, etc.. When the Board delegates certain aspects of its management and administration functions to the Management, it has given clear directions as to the powers of the Management.

### Continuous Professional Development

During the year ended 31 March 2021, all Directors have been given relevant guideline materials and attended training course and seminar regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group. Such induction materials and briefings will also be provided to newly appointed Directors shortly upon their appointment as Directors. Continuing briefings and professional development to Directors will be arranged whenever necessary.

All Directors have provided record of training attendance and the Company will continue to arrange and/or fund the training in accordance with the Code Provisions.

The Company has arranged appropriate directors and officers liability insurance cover in respect of legal actions against the Directors.

## Independent non-executive Directors

During the year ended 31 March 2021, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board and at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received a written confirmation from each of the independent non-executive Directors in respect of their independence. The Company considers all independent non-executive Directors to be independent in accordance with the independence requirements set out in Rule 3.13 of the Listing Rules.

The independent non-executive Directors take an active role in Board meetings, contribute to the development of strategies and policies and make sound judgment in various aspects. They will take lead when potential conflicts of interest arise. They are also members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company.

## Roles of Chairman and Chief Executive Officer

The position of the Chairman and the Chief Executive Officer of the Company are held by Mr. CHONG Heung Chung Jason. The Code provision A.2.1 of the Corporate Governance Code in Appendix 14 of the Listing Rules stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. CHONG is Chairman of the Board and the Chief Executive Officer. As Mr. CHONG is the founder of the Group and has extensive experience in corporate operations and management, the Directors believe that it is in the best interest of the Group to have Mr. CHONG taking up both roles for effective management and business development.

The Chairman of the Company, Mr. CHONG, takes up the role of providing leadership for the Board and ensures that the Board works effectively and discharges its responsibility properly. With the support of executive Directors and the company secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and receive adequate and reliable information in a timely manner. Mr. CHONG also ensures that good corporate governance practice is in force from time to time, and all key issues are discussed by the Board in a timely manner.

Mr. CHONG, also as the Chief Executive Officer of the Group, is responsible for managing overall daily operations of the Group, the implementation of the Group's development strategies and plans and to perform other responsibilities as assigned by the Board.

## Appointment, Re-election and Removal of Directors

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Article of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive Directors.

Each of the executive Directors has entered into a service contract with the Company and each of the independent non-executive Directors has signed a letter of appointment with the Company. Such term is for an initial term of three years for the executive Directors commencing from the Listing Date and three years for the independent non-executive Directors commencing from 20 November 2014, subject to re-election.

Pursuant to Article 83(3) of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his appointment and be subject to re-election of such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed pursuant to Article 83(3) of the Articles shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

## Appointment, Re-election and Removal of Directors (Continued)

Pursuant to Article 84 of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years and shall then be eligible for re-election.

In accordance with the Articles and the Corporate Governance Code contained in Appendix 14 to the Listing Rules, Ms. LIU Moxiang and Mr. TING Ka Fai Jeffrey will retire by rotation in accordance with Article 84 of the Articles. All retiring Directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Nomination Committee will recommend to the Board for the selection, appointment and re-appointment of Director(s) in accordance with the following procedures and process:

- (i) The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;
- (ii) The Nomination Committee may consult any source it considers appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from a third-party agency firm and proposals from the Shareholders with due consideration given to the criteria which include but are not limited to:
  - (a) Diversity in the aspects of, amongst others, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;
  - (b) Commitment for responsibilities of the Board in respect of available time and relevant interest (details of the Board Diversity Policy set out above);
  - (c) Qualifications, both academic and professional, including accomplishment and experience in the relevant industries in which the business(es) of the Company and its subsidiaries is/are involved;
  - (d) Independence (for independent non-executive Directors);
  - (e) Reputation for integrity;
  - (f) Potential contributions that the individual can bring to the Board; and
  - (g) Plan(s) in place for the orderly succession of the Board;
- (iii) The Nomination Committee may adopt any process it considers appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;
- (iv) The Nomination Committee will consider a broad range of candidates who are in and outside of the Board's circle of contacts;
- (v) Promptly after considering a candidate's suitability for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;
- (vi) The Nomination Committee will provide the relevant information of the selected candidate to the Remuneration Committee for consideration of the remuneration package of such selected candidate;
- (vii) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment, and where a non-executive Director is considered, the Remuneration Committee will make the recommendation to the Board on the policy and structure for the remuneration;



# CORPORATE GOVERNANCE REPORT

## Appointment, Re-election and Removal of Directors (Continued)

- (viii) The Board may arrange for the selected candidate to be interviewed by the members of the Board, who are not members of the Nomination Committee and the Board will thereafter deliberate and decide the appointment as the case may be; and
- (ix) All appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the relevant regulatory authorities, if required.

## Board Meetings

The Board meets regularly, and at least four times a year, additional meetings are convened when deemed necessary by the Board. Board members are provided with complete, adequate and timely information to allow the Directors to fulfill their duties properly. In addition, Directors have full access to information on the Group and independent professional advice whenever deemed necessary by the Directors.

During the year ended 31 March 2021, the Board held six meetings. Due notice and board papers were given to all Directors prior to the board meetings in accordance with the CG Code.

In addition, the Chairman and non-executive Directors including the independent non-executive Directors meet at least once every year without the presence of executive Directors.

At least 14 days' notice for all regular Board meetings will be given to all Directors and all Directors must be given the opportunity to include items or businesses for discussion in the agenda. For all other Board meetings, reasonable notice will be given. Relevant agenda and accompanying Board papers will be sent to all Directors at least three days in advance of every regular Board meeting.

## Meetings Held During the Year Ended 31 March 2021

Details of the Directors' attendance at Board meetings and Board committee meetings, held during the year ended 31 March 2021 and the annual general meeting held on 30 September 2020 ("AGM") are set out as below:

	Board Meeting	Attended/Eligible to attend			AGM
		Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	
<b>Number of Meetings Held</b>	6	3	1	1	1
<b>Executive Directors</b>					
Mr. CHONG Heung Chung Jason	6/6	–	1/1	–	1/1
Mr. TING Ka Fai Jeffrey	6/6	–	–	1/1	1/1
Ms. LIU Moxiang	6/6	–	–	–	1/1
<b>Independent Non-executive Directors</b>					
Mr. NI Zhenliang	6/6	3/3	1/1	–	1/1
Mr. TSANG Wah Kwong	6/6	3/3	–	1/1	1/1
Mr. HUNG Muk Ming	6/6	3/3	1/1	1/1	1/1

## Board Committees

The Board has established four committees, including audit committee, remuneration committee, nomination committee and investment committee, for overseeing particular aspects of the Company's affairs and to strengthen its functions and to enhance its expertise. All committees have been formed with specific written terms of reference which deals clearly with the respective committees' authorities and duties. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

### Remuneration Committee

The Company established a remuneration committee pursuant to a resolution of the Directors passed on 20 November 2014 with written terms of reference in compliance with Rule 3.25 and Rule 3.26 of the Listing Rules. The written terms of reference of the remuneration committee was adopted in compliance with the Code Provisions. Its terms of reference are available on the websites of the Company and the Stock Exchange. As at the date of this report, the Remuneration Committee comprises three members including one executive Director, namely Mr. TING Ka Fai Jeffrey and two independent non-executive Directors, namely Mr. HUNG Muk Ming and Mr. TSANG Wah Kwong. It is chaired by Mr. HUNG.

The major roles and functions of the Remuneration Committee are as follows:

- (a) To make recommendations to the Board on the Company's policy and structure for all directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (c) To make recommendations to the Board on the remuneration packages of individual executive directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment); and
- (d) To make recommendations to the Board on the remuneration of non-executive directors.

During the year ended 31 March 2021, one Remuneration Committee meeting was held and there was no change in the policy and structure of the remuneration of the Directors and senior management. From the date onwards, the Remuneration Committee will meet at least once a year for reviewing the remuneration policy and structure and making recommendations to the Board on determining the annual remuneration packages of the executive Directors and the senior management and other related matters.

The remuneration package of executive Directors is determined by reference to their duties and responsibilities, experience and the prevailing market conditions. The remuneration package of individual executive Directors includes salary, discretionary bonus and share based payment. Details of the Directors' fee and other emoluments of the Directors of the Company are set out in note 12 to the financial statements.

The Remuneration Committee has adopted the model that it will review the proposals made by the management on the remuneration of executive Directors and senior management, and make recommendations to the Board. The Board will have final authority to approve the recommendations made by the Remuneration Committee.

### Nomination Committee

The Company established a nomination committee pursuant to a resolution of the Directors passed on 20 November 2014 with written terms of reference in compliance with paragraph A.5.1 of Appendix 14 of the Listing Rules. Its terms of reference are available on the websites of the Company and the Stock Exchange. As at the date of this report, the Nomination Committee comprises three members including one executive Director, namely Mr. CHONG Heung Chung Jason and two independent non-executive Directors, namely Mr. HUNG Muk Ming and Mr. NI Zhenliang. It is chaired by Mr. CHONG, the Chairman of the Board.



## Board Committees (Continued)

### Nomination Committee (Continued)

In November 2014, the Company adopted the Board Diversity Policy in accordance with the requirement set out in the code provision of the Code. Such policy sets out the approach to achieve diversity on Board.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The major roles and functions of the Nomination Committee are as follows:

- (a) To review the structure, size and composition (board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (b) To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board;
- (c) To review the Board Diversity Policy, as appropriate, and disclose the Board Diversity Policy or its summary in the corporate governance report of the Company including the measurable objectives set for implementing the Board Diversity Policy and progress made towards achieving these measurable objectives;
- (d) To assess the independence of independent non-executive directors; and
- (e) make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive.

All candidates must be able to meet the standards as set forth in Rule 3.08 and Rule 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules. Qualified candidates will then be recommended to the Board for approval.

One Nomination Committee meeting was held during the year ended 31 March 2021. From the date onwards, the Nomination Committee will conduct meeting at least once a year.

### Audit Committee

The Company established an audit committee pursuant to a resolution of the Directors passed on 20 November 2014 with written terms of reference in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules. The written terms of reference of the audit committee was adopted in compliance with the Code Provisions. Its terms of reference are available on the websites of the Company and the Stock Exchange.

As at the date of this report, Audit Committee consists of three independent non-executive Directors, namely Mr. TSANG Wah Kwong, Mr. HUNG Muk Ming and Mr. NI Zhenliang. It is chaired by Mr. TSANG Wah Kwong who holds appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

## Board Committees (Continued)

### Audit Committee (Continued)

The major roles and functions of the Audit Committee are as follows:

- (a) To make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (b) To monitor integrity of the Company's financial statements and to review significant financial reporting judgements contained in them;
- (c) To review the Company's financial controls, internal control and risk management systems; and
- (d) To discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system.

During the year ended 31 March 2021, three audit committee meetings were held.

As at the date of this annual report, the Audit Committee has considered and reviewed the accounting principles and practice adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management. The Audit Committee considers that the financial results for the year ended 31 March 2021 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

The Audit Committee held a meeting with the external auditors on 30 June 2021 to (i) review the consolidated financial statements for the year ended 31 March 2021; (ii) discuss the internal control and financial reporting matters of the Group; (iii) review the consolidated financial statements and the auditor's report and recommend to the board for approval. All members of the committee attended that meeting. From the date onwards, the Audit Committee will meet at least twice a year to review the financial results and reports, financial reporting and compliance procedures, the report of the internal auditor on the Company's internal control and risk management review and processes, and the re-appointment of the external auditor.

During the period from the Listing Date to the date of this annual report, the Board has not taken a different view from the audit committee on the selection, appointment, resignation or dismissal of an external auditor.

### Investment Committee

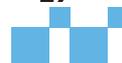
The Company established an investment committee pursuant to a resolution of the Directors passed on 20 November 2014. The written terms of reference of the investment committee are available on the websites of the Company.

As at the date of this report, Investment Committee consists of four Directors, namely Mr. CHONG Heung Chung Jason, Mr. TING Ka Fai Jeffrey, Ms. LIU Moxiang, Mr. TSANG Wah Kwong, and one senior management, Mr. WONG Yee Shuen Wilson. It is chaired by Mr. CHONG Heung Chung Jason.

The major roles and functions of the Investment Committee are as follows:

- (a) To consider the investment and business decisions of the Group;
- (b) To make recommendations to our Board in respect of the major investment projects of the Group, such as the establishment of new JOYPOLIS in China; and
- (c) To monitor the performance of the Group for compliance with the investment policies and guidelines.

During the year ended 31 March 2021, no investment committee meeting was held.





## CORPORATE GOVERNANCE REPORT

### Auditor's Remuneration

The fees charged by the auditor generally depends on the scope and volume of the auditor's work. During the year ended 31 March 2021, the remuneration paid or payable to the Company's external auditor related to audit services and other non-audit services amounted to approximately HK\$3,062,000 and Nil respectively.

### Directors' Responsibilities for Financial Reporting

The Directors acknowledge their responsibilities for keeping proper accounting records and preparing the financial statements of each financial period, which shall give a true and fair view of the financial position of the Group and of the financial performance and cash flows for that year.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The senior management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company.

The Directors acknowledge the responsibilities for preparing the accounts of the Company.

The relevant responsibility statement of the auditor of the Company with respect to the financial statements of the Group is set out in the Independent Auditor's Report on pages 48 to 55.

### Going Concern

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

### Risk management and Internal Control

#### Risk management

The Company established an inter-departmental ERM working group internally to carry out the relevant work and systematically established a risk management framework to incorporate risk management into enterprise management and business operation. It has also established a two-tier risk management structure model:

As the first tier of the Company's risk management system, each department is responsible for performing daily management process, implementing management system and incorporating means of risk management and internal control into daily operation; studying and proposing the criteria and mechanism for significant departmental decision-making, material events and important operation process; studying and indicating risks of significant departmental decision-making while taking precautions; effectively managing various risks incurred during the course of operation and management.

The audit committee of the Company will be responsible for the management of the effectiveness of risk management and gaining full understanding and making decisions for the Company's risk management. As the second tier of the Company's risk management system, the audit committee is at the top tier of the risk management and governance structure, mainly responsible for ensuring the implementation of risk management, procuring inspection of events with potential risks, ensuring effective implementation of risk management system, supervising and examining tasks relating to risk management regularly, formulating a report on risk management and promoting an effective company-wide risk management and internal control system.

## Risk management and Internal Control (Continued)

### Risk management (Continued)

On top of its established internal control system, the Company will continuously deepen its risk management efforts by establishing a system for assessing any possible systematic risks caused by changes in external environment and force majeure. Based on the risk assessment, the Company will identify risk prevention and response to prevent and respond to any possible risks. With respect to the unsystematic risks during the course of operation and management, the Company will establish a normalized process for risk control, risk reporting, risk response and risk management evaluation. Through the aforesaid enhanced measures and means of internal control system and risk management, the possibility of occurrence of risk events can be lowered.

As at the reporting date, the Company has established a comprehensive risk management system, and incorporated risk identification, risk assessment and risk response into daily operation. In consideration of current major risks faced by the Company and the corresponding response plan, the Company is capable of responding to the challenges brought by its own operation and external environment.

### Internal Control

The Board is responsible for maintaining an adequate system of internal controls within the Group and for reviewing their effectiveness. The system of internal controls is designed to facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. It is also designed to provide reasonable, but not absolute, assurance that material misstatement or loss can be avoided, and to manage and minimize risks of failure in operation systems.

The Board engaged a professional consulting firm to perform internal control review to assess the effectiveness of the financial, operational and compliance controls and risk management functions of the Company and the Group's major subsidiaries on a rotation basis.

At the meeting of the Audit Committee held on 30 June 2021, the professional consulting firm reported their review work for the year ended 31 March 2021 performed in accordance with the detailed risk-based internal control review plan which was approved by the Audit Committee. The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's internal control systems for the year ended 31 March 2021. The Audit Committee members, together with the senior management, have also reviewed, considered and discussed all findings relating to the internal control systems and recommendations for improvement.

The Audit Committee also reviewed and was satisfied with the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function.

### Company Secretary

The Company Secretary of the Company is Mr. LUK Sik Tat, who is also the finance manager of the Company. Mr. Luk is a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Society of Accountants. He fulfills the requirements under Rules 3.28 and 3.29 of the Listing Rules.

The Company Secretary is responsible for providing secretarial services to the Board and ensuring the operation of the Company is properly complied with Hong Kong listed companies' regulatory requirements as well as enhancing its corporate governance standards.

All Directors have access to the advice and services of the company secretary with a view to ensuring that board procedures and all applicable rules and regulations are followed. Company Secretary is also the secretary of each of Board committees. Minutes of Board meetings and meetings of all Board committees are kept by the Company Secretary and are available for inspection by the Directors at all times.

For the year ended 31 March 2021, the company secretary complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

# CORPORATE GOVERNANCE REPORT

## Shareholders' Rights

### Right to Convene an Extraordinary General Meeting

Pursuant to the Company's Articles of Association, shareholder(s) holding not less than one-tenth of the Company's paid-up capital at the end of deposit of requisition and having the right to vote at general meetings can submit a requisition to convene an Extraordinary General Meeting ("**EGM**").

Such requisition shall be made in writing to the Board or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, namely, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or the principal place of business of the Company in Hong Kong at Suites 2905, 29/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong. Shareholders who wish to put enquiries to the Board can send their enquiries to the Company Secretary who will ensure these enquiries to be properly directed to the Board. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Corporate communication of the Company will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

All resolutions put forward at an EGM will be taken by poll pursuant to the Listing Rules. Shareholders who are unable to attend the EGM can appoint proxies to attend and vote at the general meeting. The Chairman of the EGM will provide explanation of the detailed procedures for conducting a poll and then answer questions (if any) from the shareholders regarding voting by way of poll. In addition, the poll results will be posted on the websites of the Company and of the Stock Exchange after the EGM.

## Communications with Shareholders

The Board is obliged to provide regular, effective and fair communication with the shareholders and the investors of the Company. Latest information is conveyed to the Shareholders and the investors of the Company on a timely basis.

The Company uses a range of communication tools to ensure the Shareholders and the investors are kept well informed of key business imperatives.

### Disclosure of Information

Information shall be communicated to Shareholders and the investors mainly through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") and its corporate communications and other corporate publications on the Hong Kong Stock Exchange's website and the Company's website.

## Communications with Shareholders (Continued)

### General Meetings

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. Shareholders' views on matters that affect the Company are welcome by the Board at shareholders' meetings. Shareholders of the Company are notified of shareholders' meetings through notices and reports or circulars sent to them. Each item of special business in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. A separate resolution is proposed by the chairman of the meetings in respect of each separate issue, including the re-election of Directors.

The Chairman of the Board and Chairmen of the Audit Committee, Remuneration Committee, Nomination Committee and Investment Committee or failing him, his duly appointed delegate, are available at the annual general meeting to answer questions with regard to the work of these committees.

### Voting by Poll

Save as provided under the Listing Rules, resolutions put to vote at the general meetings of the Company (other than procedural matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the respective websites of the Company and the Hong Kong Stock Exchange on the same day of the poll.

### Investor Relations

The Company maintains a website [www.animatechina.com](http://www.animatechina.com) where information and updates on the list of Directors and their roles and functions, constitutional documents, terms of reference of the Board committees, procedures for shareholders to propose a person for election as a director, announcements, circulars and reports, etc. released to the Hong Kong Stock Exchange and other information are posted. Information on the Company's website will be updated from time to time.

A dedicated email address [acti@animatechina.com](mailto:acti@animatechina.com) for investor enquiry is set out in the "Contact Us" section on the Company's website.

### Constitutional Documents

There was no significant change in the Company's constitutional documents during the year ended 31 March 2021 and up to the date of this annual report.



# REPORT OF THE DIRECTORS

The directors (the “**Directors**”) of the Company are pleased to present their annual report together with the audited financial statements for the year ended 31 March 2021.

## Principal Activities

The principal activity of the Company is investment holding and those of the principal subsidiaries are set forth in Note 49 to the consolidated financial statements.

An analysis of the Group’s performance for the year by operating segments is set forth in Note 5 to the consolidated financial statements.

## Use of Proceeds From the Global Offering

The Company has received net proceeds of approximately HK\$298.6 million after deducting the underwriting fee and commissions and relevant expenses in connection with the global offering on 12 March 2015. As of 31 March 2021, approximately HK\$251.0 million of the net proceeds had been used by the Group. The unutilised proceeds were deposited with licensed bank in Hong Kong. Set forth below is a summary of the utilisation of the net proceeds:

	Original planned allocation of net proceeds from the Global Offering		Actual utilised as of 31 March 2021	Unutilised as of 31 March 2021
	%	HK\$ million	HK\$ million	HK\$ million
For contribution for the capital expenditure and the working capital for Shanghai JOYPOLIS and for use in planning the next JOYPOLIS	40.0	119.4	119.4	–
For possible investment in, acquisition of, and/or formation of strategic cooperation with, domestic or international companies which operate animation-related businesses, including without limitation, animation-related event organisers, mobile and internet applications developers and animation-related multi-media platforms, subject to the approval of the investment committee of the Board	30.0	89.6	42.0	47.6
For the development, production and technical enhancement of music animation concerts and the related promotional and marketing activities and the development of consignment sales business	20.0	59.7	59.7	–
For working capital and general corporate purposes	10.0	29.9	29.9	–
<b>Total</b>	<b>100.0</b>	<b>298.6</b>	<b>251.0</b>	<b>47.6</b>

The future plans and prospects as stated in the prospectus (the “**Prospectus**”) of the Company dated 28 February 2015 were based on the Group’s reasonable assessment of the future market conditions according to the information available at the time of preparing the Prospectus. As of the date of this report, the Directors are not aware of any material change to the planned use of the net proceeds from the plan as stated in the Prospectus. The unused net proceeds have been placed as bank deposits.

## Results and Appropriations

The financial performance of the Group for the year ended 31 March 2021 and the financial position of the Group as of 31 March 2021 are set forth in the consolidated financial statements on pages 56 and 58.

## Five Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set forth on page 160. This summary does not form part of the consolidated financial statements.

## Reserves

Details of the movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 59 of this annual report and Note 51 to the consolidated financial statements, respectively.

## Distributable Reserves

Pursuant to the relevant rules of the Cayman Islands, calculated with the Companies Law of the Cayman Islands, the Company's distributable reserves as of 31 March 2021 amounted to approximately HK\$494 million.

## Property, Plant and Equipment

Details of the movements in properties, plant and equipment of the Group are set forth in Note 15 to the consolidated financial statements.

## Share Capital

Details of the authorised and issued share capital of the Company are set forth in Note 40 to the consolidated financial statements.

## Subsidiaries

Details of the major subsidiaries of the Company are set forth in Note 49 to the consolidated financial statements.

## Purchase, Sale or Redemption of the Company's Securities

The Company has not redeemed any of its shares during the year. During the year ended 31 March 2021, neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the Company's listed securities during the year.

## Share Option Scheme

The Company's existing share option scheme was approved for adoption in the general meeting held on 16 February 2016 for the purpose of providing the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to eligible participants and for such other purposes as the Board approve from time to time.

Details of the Company's share option scheme are set out in Note 48 to the consolidated financial statements and the principal terms of the share option scheme are extracted as follows:

### Purpose

The purpose is to give the Eligible Persons (as described below) an opportunity to have a personal stake in the Company and help motivate them to optimise their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (as defined below), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.



## REPORT OF THE DIRECTORS

### Share Option Scheme (Continued)

#### Who may join

The Board may, at its absolute discretion, offer options (“**Options**”) to subscribe for such number of Shares in accordance with the terms set forth in the Share Option Scheme to:

- (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group (“**Executive**”), any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group (“**Employee**”);
- (b) a director or proposed director (including an independent non-executive director) of any member of the Group;
- (c) a direct or indirect shareholder of any member of the Group;
- (d) a supplier of goods or services to any member of the Group;
- (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;
- (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and
- (g) an associate of any of the persons referred to in paragraphs (a) to (c) above.

(the persons referred above are the “**Eligible Persons**”)

#### Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10.0 per cent. of our Shares in issue as of the Listing Date, excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option (the “**Scheme Mandate Limit**”) provided that:

- (a) The Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not exceed 10 per cent. of our Shares in issue as of the date of approval by Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. The Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules.
- (b) The Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by the Company before such approval is obtained. The Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules.
- (c) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Group shall not exceed 30% of the Company’s issued share capital from time to time. No options may be granted under the Share Option Scheme and any other share option scheme of the Company if this will result in such limit being exceeded.

## Share Option Scheme (Continued)

### Maximum number of Options to each participant

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12 month period exceeds one per cent. of the Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1.0 per cent of the Shares in issue, such further grant shall be separately approved by the shareholders of the Company in general meeting with such Eligible Person and his close associates (or his associates if the Eligible Person is a connected person) abstaining from voting. The Company shall send a circular to the Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of the Company's Shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

### Offer and grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in our Shares on the Stock Exchange or an integral multiple thereof).

### Restriction on the time of grant of Options

The Board shall not grant any Option under the Share Option Scheme after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

### Minimum holding period, vesting and performance target

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of all or any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.



## REPORT OF THE DIRECTORS

### Share Option Scheme (Continued)

#### Subscription price

The subscription price of a Share in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- (c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the 5 business days (as defined in the Listing Rules) immediately preceding the offer date.

#### Exercise of Options

- (i) An Option shall be exercised in whole or in part (but if in part only, in respect of a Board Lot or any integral multiple thereof) within the Option Period in the manner as set forth in this Share Option Scheme by the grantee (or his legal personal representative(s)) by giving notice in writing to the Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given. Within 30 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, the Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the Grantee (or his legal personal representative(s)) share certificate(s) in respect of our Shares so allotted.
- (ii) The exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.
- (iii) The exercise of any Option shall be subject to the members of the Company in general meeting approving any necessary increase in the authorized share capital of the Company.

#### Life of Share Option Scheme

Subject to the terms of this Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting Options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

#### Transferability of Options

The Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option or attempt so to do (save that the Grantee may nominate a nominee in whose name our Shares issued pursuant to the Scheme may be registered), except with the prior written consent of the Board from time to time. Any breach of the foregoing shall entitle the Company to cancel any outstanding Option or part thereof granted to such Grantee.

## Directors' Right to Acquire Shares or Debentures

Apart from the share option scheme of the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

## Directors

The Directors of the Company during the year and up to the date of this report are:

### Executive Directors

Mr. CHONG Heung Chung Jason (*Chairman and Chief Executive Officer*)  
Mr. TING Ka Fai Jeffrey  
Ms. LIU Moxiang

### Independent Non-Executive Directors

Mr. NI Zhenliang  
Mr. TSANG Wah Kwong  
Mr. HUNG Muk Ming

In accordance with the Articles and the Corporate Governance Code contained in Appendix 14 to the Listing Rules, Mr. TING Ka Fai Jeffrey and Ms. LIU Moxiang will retire by rotation in accordance with Article 84 of the Articles. All retiring Directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

## Confirmation of Independence of Independent Non-Executive Directors

The Company has received from each independent non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of them are independent.

## Biographical Details of Directors and Senior Management

The biographical details of Directors and senior management are set forth in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

## Directors' Service Contract

None of the Directors offering themselves for re-election at the forthcoming annual general meeting of the Company has entered into any service contract with the Company or any of its subsidiaries, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## Directors' Interests in Contracts of Significance

No contracts of significance in relation to the Company's business to which the Company, its subsidiaries or its holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Controlling Shareholders' Interests in Contracts of Significance

Save as disclosed in this annual report, there was no other contract of significance between the Company or any of its subsidiaries and any controlling shareholder of the Company or any of its subsidiaries during the year.



# REPORT OF THE DIRECTORS

## Related Party Transactions

Details of the related party transactions of the Group for the year ended 31 March 2021 are set forth in Note 47 to the consolidated financial statements of this annual report.

For those related party transactions or those continuing related party transactions (as the case may be) falling under the definition of “connected transactions” or “continuing connected transactions” (as the case may be) in Chapter 14A of the Listing Rules, please refer to the details set forth in the section headed “Continuing Connected Transaction” and “Exempt Continuing Connected Transactions” of this annual report.

## Directors’ Interests in Competing Business

During the year, save as disclosed in the Prospectus, none of the Directors and their respective associates has an interest in any business which competes or may compete with the business in which the Group engaged.

## Directors’ Interests and Short Positions in the Shares, Underlying Shares or Debentures

As of 31 March 2021, the interests and 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”)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), were set forth below:

### Long positions in the shares and underlying share of the Company

Name of Directors	Capacity/nature of interest	Name of the controlled corporations	Name of Company	Number of shares	Approximate percentage of shares in issue
CHONG Heung Chung Jason	Interest of controlled corporation (Note 1)	Bright Rise Enterprises Limited	Company	298,343,000 (L)	30.39%
	Interest in persons acting in concert (Note 2)	–	Company	405,167,000 (L)	41.27%
	Spouse interest (Note 3)	–	Company	405,167,000 (L)	41.27%
TING Ka Fai Jeffrey	Interest of controlled corporation (Note 4)	Bonville Glory Limited	Company	12,900,000 (L)	1.31%
	Interest in persons acting in concert (Note 2)	–	Company	405,167,000 (L)	41.27%

Notes:

- All issued shares of Bright Rise Enterprises Limited are held by Newgate (PTC) Limited. Newgate (PTC) Limited is a company incorporated in the BVI on 12 September 2014 and acts as the trustee of the trust created in the Cayman Islands by Mr. CHONG Heung Chung Jason on 18 November 2014, namely The Fortune Trust. The beneficiaries of The Fortune Trust currently include Mr. CHONG Heung Chung Jason and his family members.
- Pursuant to a concert party agreement, Mr. CHONG Heung Chung Jason, Bright Rise Enterprises Limited, Mr. TING Ka Fai Jeffrey, Bonville Glory Limited, Ms. LEE Sui Fong Fiona, Fortress Strength Limited, Mr. Shinichiro IKEDA, Dragon Year Group Limited, Ms. OR Den Fung Bonnie and East Jumbo Development Limited have agreed with certain arrangements pertaining to their shareholding. Further information on the terms and conditions of the concert party agreement is set forth in the section headed “Controlling Shareholders and Substantial Shareholders-Summary of the Concert Party Agreement” in the Prospectus.
- Ms. LEE Sui Fong Fiona is the spouse of Mr. CHONG Heung Chung Jason. Mr. CHONG Heung Chung Jason is deemed to be interested in our shares interested by Ms. LEE Sui Fong Fiona under the SFO.
- All issued shares of Bonville Glory Limited are held by Mr. TING Ka Fai Jeffrey.

Save as disclosed above, as at 31 March 2021, none of the Directors or chief executive or their respective associates had any interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Substantial Shareholders

As of 31 March 2021, the following persons or corporations, other than the Directors or chief executive of the Company, had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

	Name of Shareholders	Capacity	Number of Shares	Shareholding percentage of shares in issue (%)
Long position	Bright Rise Enterprises Limited	Beneficial owner	298,343,000	30.39
		Interest in persons acting in concert <sup>(1)</sup>	405,167,000	41.27
	Newgate (PTC) Limited as trustee of The Fortune Trust created by Mr. CHONG Heung Chung Jason	Interest in a controlled corporation <sup>(2)</sup>	298,343,000	30.39
		Interest in persons acting in concert <sup>(1)</sup>	405,167,000	41.27
	Mr. CHONG, Ms. LEE Sui Fong Fiona and their children, being the beneficiaries of The Fortune Trust	Interest in a controlled corporation <sup>(2)</sup>	298,343,000	30.39
		Interest in persons acting in concert <sup>(1)</sup>	405,167,000	41.27
	Fortress Strength Limited	Beneficial owner	19,315,000	1.97
		Interest in persons acting in concert <sup>(1)</sup>	405,167,000	41.27
	Ms. LEE Sui Fong Fiona	Interest in a controlled corporation <sup>(3)</sup>	19,315,000	1.97
		Interest in persons acting in concert <sup>(1)</sup>	405,167,000	41.27
		Spouse interest <sup>(4)</sup>	405,167,000	41.27
	Dragon Year Group Limited	Beneficial owner	50,280,000	5.12
		Interest in persons acting in concert <sup>(1)</sup>	405,167,000	41.27
	Mr. Shinichiro IKEDA	Interest in a controlled corporation <sup>(5)</sup>	50,280,000	5.12
		Personal interest	12,000,000	1.22
		Interest in persons acting in concert <sup>(1)</sup>	405,167,000	41.27



## REPORT OF THE DIRECTORS

### Substantial Shareholders (Continued)

Name of Shareholders	Capacity	Number of Shares	Shareholding percentage of shares in issue (%)
Bonville Glory Limited	Beneficial owner	12,900,000	1.31
	Interest in persons acting in concert <sup>(1)</sup>	405,167,000	41.27
Mr. TING Ka Fai Jeffrey	Interest in a controlled corporation <sup>(6)</sup>	12,900,000	1.31
	Interest in persons acting in concert <sup>(1)</sup>	405,167,000	41.27
East Jumbo Development Limited	Beneficial owner	12,329,000	1.26
	Interest in persons acting in concert <sup>(1)</sup>	405,167,000	41.27
Ms. OR Den Fung Bonnie	Interest in a controlled corporation <sup>(7)</sup>	12,329,000	1.26
	Interest in persons acting in concert <sup>(1)</sup>	405,167,000	41.27
Short position	Nil	Nil	Nil

Notes:

- (1) Pursuant to a concert party agreement, Mr. CHONG Heung Chung Jason, Bright Rise Enterprises Limited, Mr. TING Ka Fai Jeffrey, Bonville Glory Limited, Ms. LEE Sui Fong Fiona, Fortress Strength Limited, Mr. Shinichiro IKEDA, Dragon Year Group Limited, Ms. OR Den Fung Bonnie and East Jumbo Development Limited have agreed with certain arrangements pertaining to their shareholding. Further information on the terms and conditions of the concert party agreement is set forth in the section headed "Controlling Shareholders and Substantial Shareholders-Summary of Concert Party Agreement" in the Prospectus.
- (2) Newgate (PTC) Limited is the sole shareholder of Bright Rise Enterprises Limited and it holds all the shares of Bright Rise Enterprises Limited in its capacity as the trustee of The Fortune Trust created by Mr. CHONG Heung Chung Jason in the Cayman Islands. The beneficiaries of The Fortune Trust currently include Mr. CHONG Heung Chung Jason and his family member. Bright Rise Enterprises Limited is the registered and beneficial owner of 298,343,000 Shares.
- (3) Ms. LEE Sui Fong Fiona is the sole beneficial owner of all issued shares of Fortress Strength Limited which is the registered and beneficial owner of 19,315,000 Shares.
- (4) Ms. LEE Sui Fong Fiona is the spouse of Mr. CHONG Heung Chung Jason and she is deemed to be interested in our shares interested by Mr. CHONG Heung Chung Jason under the SFO.
- (5) Mr. Shinichiro IKEDA is the sole beneficial owner of all issued shares of Dragon Year Group Limited which is the registered and beneficial owner of 50,280,000 shares of the Company.
- (6) Mr. TING Ka Fai Jeffrey is the sole beneficial owner of all issued shares of Bonville Glory Limited which is the registered and beneficial owner of 12,900,000 shares of the Company.
- (7) Ms. OR Den Fung Bonnie is the sole beneficial owner of all issued shares of East Jumbo Development Limited which is the registered and beneficial owner of 12,329,000 shares of the Company.

## Substantial Shareholders (Continued)

Save as disclosed above, as of 31 March 2021, the Directors were not aware of any persons or corporations, other than the Directors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## Deed of Non-Competition

As disclosed in the Prospectus, each of the executive Directors and the controlling shareholders of the Company (the “**Controlling Shareholders**”), namely, Mr. CHONG Heung Chung Jason, Bright Rise Enterprises Limited, Mr. TING Ka Fai Jeffrey, Bonville Glory Limited, Ms. LEE Sui Fong Fiona, Fortress Strength Limited, Mr. Shinichiro IKEDA, Dragon Year Group Limited, Ms. OR Den Fung Bonnie and East Jumbo Development Limited, (collectively the “**Covenantors**”), has entered into the Deed of Non-Competition in favour of the Company, pursuant to which each of the Covenantors has undertaken to the Company that each of the Covenantors would not and would procure that their associates (except any members of the Group) would not, during the period that the Deed of Non-Competition remains effective, directly or indirectly, either on such Covenantor’s own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of the Group from time to time.

The Company has received an annual written confirmation from each of the executive Directors and the Controlling Shareholders in respect of the compliance with the Deed of Non-Competition for the year ended 31 March 2021.

Based on the information and confirmation provided by or obtained from each of the executive Directors and the Controlling Shareholders, all the independent non-executive directors reviewed the compliance conditions in respect of the Deed of Non-Competition for the year ended 31 March 2021 and believed that each of the executive Directors and the Controlling Shareholders had fully complied with the Deed of Non-Competition.

## Continuing Connected Transaction

On 31 December 2016, Sega Holdings Co., Ltd. (“**SEGA Holdings**”) and CA Sega Joypolis Ltd. (“**CA Sega**”, formerly known as Sega Live Creation Inc.) entered into a trademark licence agreement pursuant to which SEGA Holdings (as licensor) agreed to grant to CA Sega a non-transferable and non-exclusive right to use and sublicense certain registered trademarks owned by SEGA Holdings for a term commencing from 1 January 2017 for an initial period of five years. The trademark licence agreement may be renewed for another five years subject to negotiations and agreements between the parties after expiry of the original term in full compliance with the applicable requirements under the Listing Rules. The annual caps, being the maximum aggregate amount of royalties payable by CA Sega to SEGA Holdings under the trademark licence agreement is JPY208,673,000 (equivalent to HK\$13,838,000) for the year ended 31 March 2021. The aggregate amount of royalties payable by CA Sega to SEGA Holdings amount to JPY16,815,000 (equivalent to approximately HK\$1,191,000) for the year ended 31 March 2021.



## REPORT OF THE DIRECTORS

### Continuing Connected Transaction (Continued)

As Sega Sammy Holding Inc., (“**SEGA SAMMY**”) holds 14.9% equity interest in the CA Sega Shares, SEGA Holdings, being a wholly-owned subsidiary of SEGA SAMMY, is a connected person at the subsidiary level (as defined under Chapter 14A of the Listing Rules) of the Company. Accordingly, the transaction contemplated under the trademark licence agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

For detailed terms of the trademarks licence agreement, please refer to the Company’s announcement dated 3 January 2017.

Pursuant to Rule 14A.55 of the Listing Rule, the independent non-executive Directors of the Company have reviewed the continuing connected transactions as set out above and have confirmed that these continuing connected transactions have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and
- (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company’s auditor was engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor had issued an unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. The auditor of the Company has also confirmed to the Board in writing that the above continuing connected transaction for the year ended 31 March 2021 (i) has received the approval of the Board; (ii) has been entered into in accordance with the relevant pricing policies of the Group; (iii) has been entered into in accordance with the relevant agreement governing the transaction; and (iv) has not exceeded the annual cap disclosed in the Company’s announcement dated 3 January 2017. A copy of the auditor’s letter has been provided by the Company to the Stock Exchange.

### Exempt Continuing Connected Transactions

The companies now comprising the Group have had entered into a number of transactions with Mr. CHONG, a party who, upon the Listing, became a connected person of the Company under the Listing Rules.

#### Lease of premises

The Group leases premises from Mr. CHONG. The premises include selected floors of the buildings 9 and 10, China Animation Creative Industry Park, Youyi Road, Longcheng Street, Longgang District, Shenzhen, the PRC, and are currently used by us as our offices and research and development centre in Shenzhen. As the premises and all other buildings comprising the industry park are structures with no property ownership certificates granted to Mr. CHONG, 深圳市龍崗區龍城街道處理歷史遺留違法建築領導小組辦公室 (The Office of the Leadership Group in Handling Historical Unauthorised Structures in the area of Longcheng Street, Longgang District, Shenzhen City\*) has issued a reply, upon the request of Mr. CHONG, confirming that the registered name of the premises has been changed to Mr. CHONG.

## Exempted Continuing Connected Transactions (Continued)

### Lease of premises (Continued)

The table below sets forth (1) the term of the lease agreements entered into between us and Mr. CHONG and (2) the annual rent paid by us to Mr. CHONG for the year ended 31 March 2021:

Lessor	Lessee	Date of lease	Term	Properties	Usage	Gross floor area (m <sup>2</sup> )	Annual rental (RMB'000)	Historical transaction amount Year ended 31 March	
								2021	2020
Mr. CHONG	Shenzhen Wald	1 August 2020	1 August 2020 to 31 July 2021	5th Floor of Building No. 10 China Animation Creative Industry Park Youyi Road Longcheng Street Longgang District Shenzhen PRC	Offices and research and development centre	1,350	194.4	(RMB'000)	-
								129.6	-
Mr. CHONG	Shenzhen Wald	1 April 2019	1 April 2019 to 31 July 2020 (early terminated)	1st, 2nd, 3rd and 5th Floor of Building No. 9 and 10 China Animation Creative Industry Park Youyi Road Longcheng Street Longgang District Shenzhen PRC	Offices and research and development centre	2,622	377.6	(RMB'000)	377.6
								125.9	426.4
Mr. CHONG	Shenzhen Wald	1 April 2019	1 April 2019 to 31 July 2020 (early terminated)	1st, 2nd, 3rd and 5th Floor of Buildings No.9 and No. 10, China Animation Creative Industry Park Youyi Road Longcheng Street Longgang District Shenzhen PRC	Offices and research and development centre	10,800	1,555.2	(RMB'000)	1,555.2
								518.4	1,756
Mr. CHONG	Shenzhen Huacheng	26 March 2018	1 April 2018 to 31 July 2020 (early terminated)	3rd Floor of Building No. 5 China Animation Creative Industry Park Youyi Road Longcheng Street Longgang District Shenzhen PRC	Offices and warehouse	1,020	146.8	(RMB'000)	146.8
								49.0	165.8
								(RMB'000)	
<b>Total:</b>								<b>822.9</b>	<b>2,079.6</b>
								(HK\$'000)	
<b>Total:</b>								<b>936.4</b>	<b>2,348.2</b>

Note:

(1) The rent was based on the effective rent at the rate of RMB4.78 per sq.m. set forth in the previous lease agreement over the Track Record Period.

As shown in the table above, the annual rent payable to Mr. CHONG is within the de minimis threshold as set forth in Rule 14A.76 of the Listing Rules. As such, the transactions are exempted from the reporting, announcement requirements and the independent Shareholders' approval requirements. The Directors, including the independent non-executive Directors, confirm that the lease agreements are entered into on normal commercial terms and in the interest of the Shareholders as a whole.

The Directors confirm that the annual rent payable under the relevant lease agreements between us and Mr. CHONG is determined with reference to an independent valuation taking into consideration the prevailing market conditions and rent level of similar types of properties in the vicinity. The independent valuer has confirmed that the annual rent is consistent with the prevailing market rates as of the date of the relevant agreements. On this basis, the Directors confirm that the premises under each of the lease agreements in this section are leased on normal commercial terms and the rental level payable under each of these lease agreements are at market level and are fair and reasonable.

## REPORT OF THE DIRECTORS

### Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

### Major Customers and Suppliers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

#### Purchases

– the largest supplier	100%
– five largest suppliers combined	100%

#### Sales

– the largest customer	26.13%
– five largest customers combined	55.68%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

### Corporate Governance Code

Details of the Group's compliance with corporate governance code of the Company are set forth in the "CORPORATE GOVERNANCE REPORT" on pages 21 to 33 in this annual report.

### Audit Committee

The audit committee consists of three independent non-executive Directors, namely Mr. TSANG Wah Kwong, Mr. HUNG Muk Ming and Mr. NI Zhenliang.

By reference to "A Guide for the Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants, written terms of reference which describe the authority and duties of the audit committee were prepared and adopted by the Board of the Company.

The annual results have been reviewed by the audit committee of the Company.

### Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding the Company's securities.

## Pre-emptive Rights

There is no provision for the pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float required under the Listing Rules for the year ended 31 March 2021 and up to the date of this report.

## Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the directors of the Company is currently in force and was in force throughout the financial year. The Company has taken out and maintained directors and officers liability insurance which provides appropriate cover for, among others, directors of the Company.

## Closure of the Register of Members

To determine the eligibility of the shareholders of the Company to attend the annual general meeting to be held on 2 September 2021, the register of members will be closed from 30 August 2021 to 2 September 2021, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 29 August 2021.

## Annual General Meeting

The annual general meeting will be held on 2 September 2021. Shareholders should refer to details regarding the annual general meeting in the circular of the Company and the notice of meeting and form of proxy accompanying thereto.

## Auditor

A resolution will be submitted to the annual general meeting to re-appoint Messrs. KTC Partners CPA Limited as auditor of the Company.

By Order of the Board

**Chong Heung Chung Jason**  
*Chairman*

Hong Kong, 30 June 2021



# INDEPENDENT AUDITOR'S REPORT



## TO THE MEMBERS OF CA CULTURAL TECHNOLOGY GROUP LIMITED

華夏文化科技集團有限公司

*(incorporated in the Cayman Islands with limited liability)*

### Opinion

We have audited the consolidated financial statements of CA Cultural Technology Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 56 to 159, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Key Audit Matters (Continued)

### Provision for expected credit losses ("ECL") of trade receivables, other receivables and deposits

Refer to Notes 24, 25 and 44(b) to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<p>As at 31 March 2021, the Group had gross trade receivables and other receivables and deposits of approximately HK\$236,496,000 and HK\$356,741,000 respectively, and provision for impairment of approximately HK\$10,253,000 and HK\$5,896,000 respectively.</p> <p>ECL for trade receivables and other receivables and deposits are based on management's estimate of the lifetime ECL to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, other receivables and deposits, debtors' repayment history and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgment.</p> <p>We have identified ECL assessment of trade receivables and other receivables and deposits as a key audit matter because assessing ECL of trade receivables and other receivables and deposits is a subjective area which requires the exercise of significant judgment by management and uses of estimates.</p>	<p>Our procedures in relation to management's ECL assessment on trade receivables and other receivables and deposits included:</p> <ul style="list-style-type: none"> <li>• Reviewing and assessing the application of the Group's policy for calculating the ECL;</li> <li>• Evaluating the techniques and methodology adopted by the management in the ECL model against the requirements of HKFRS 9;</li> <li>• Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances;</li> <li>• Inquiring management for the status of each of the material trade receivables and other receivables and deposits past due as at year end and corroborating explanations from management with supporting evidence, such as understanding on-going business relationship with the customers and debtors based on trade and transaction records, checking historical and subsequent settlement records of and other correspondence with the customers and debtors; and</li> <li>• Checking, on a sample basis, the ageing profile of the trade receivables and other receivables and deposits as at 31 March 2021 to the underlying financial records and post year-end settlement to bank receipts.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT

## Key Audit Matters (Continued)

### Impairment assessment of non-current assets relating to the establishment and operation of indoor theme parks segment

Refer to Notes 15, 16, 17, 18 to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<p>As at 31 March 2021, the carrying amounts of goodwill, property, plant and equipment and intangible assets relating to the establishment and operation of indoor theme parks segment ("<b>the theme park segment</b>"), which belonged to two cash generating units ("<b>CGU</b>") – CA Sega Joypolis Limited and its subsidiary (collectively referred to as the "<b>CA Sega Group</b>") and Huajiatai (Shanghai) Indoor Amusement Co., Ltd ("<b>Huajiatai</b>"), were approximately HK\$2,450,000 (belong to CA Sega Group), HK\$188,075,000 and HK\$3,639,000 respectively. Goodwill is assessed for impairment annually while property, plant and equipment and intangible assets are assessed for impairment when indicators of impairment loss existed at the end of the reporting period.</p> <p>We have identified the impairment of these non-current assets belonging to these CGUs in the theme park segment as a key audit matter because of their significance to the consolidated financial statements and the involvement of a significant degree of judgements and high estimation uncertainty made by the management for the profit forecasts and cash flows projections for the value-in-use calculations.</p> <p>Valuation prepared by independent professional valuer ("<b>the Valuer</b>") and the directors was obtained in respect of the value-in-use calculations in order to support management's estimates.</p> <p>Based on the management's assessment, no impairment was recognised on these non-current assets belonging to the CA Sega Group and Huajiatai.</p>	<p>Our procedures in relation to the impairment assessment of the non-current assets belonging to CA Sega Group and Huajiatai included:</p> <ul style="list-style-type: none"><li>• Assessing the identification of the related cash generating unit;</li><li>• Assessing the arithmetical accuracy of value-in-use calculations;</li><li>• Obtaining the discounted future cash flow analysis approved by the management and checking its mathematical accuracy;</li><li>• Engaging an independent external expert to assist us in assessing the Valuer's work;</li><li>• Evaluating the competence, capabilities and objectivity of the Valuer;</li><li>• Evaluating the appropriateness of the methodology and the reasonableness of the key assumptions adopted by the management and the Valuer including budgeted revenue, budgeted gross margins, discount rate and growth rate; and</li><li>• Testing the accuracy and evaluating the relevance of key inputs adopted in the discounted future cash flow model against historical performance of the Group, with reference to the future strategic plans of the Group in respect of the cash generating units.</li></ul>

## Key Audit Matters (Continued)

### Impairment assessment of non-current assets relating to China Animation Group Limited and its subsidiary (collectively referred to as the "China Animation Group")

Refer to Note 15 to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<p>As at 31 March 2021, the carrying amounts of right-of-use assets, property, plant and equipment and intangible assets relating to the sales of animation derivative products segment ("<b>the animation derivative segment</b>"), being an individual CGU held under the China Animation Group, were approximately HK\$8,675,000, HK\$88,901,000 and HK\$3,570,000 respectively. The right-of-use assets, property, plant and equipment and intangible assets are assessed for impairment when indicators of impairment loss existed at the end of the reporting period.</p> <p>We have identified the impairment of these non-current assets belonging to the animation derivative segment as a key audit matter because of their significance to the consolidated financial statements and the involvement of a significant degree of judgements and high estimation uncertainty made by the management for the profit forecasts and cash flows projections for the value-in-use calculations.</p> <p>Valuation prepared by the directors was obtained in respect of the value-in-use calculations in order to support management's estimates.</p> <p>Based on the management's assessment, no impairment was recognised on these non-current assets belonging to the China Animation Group.</p>	<p>Our procedures in relation to the impairment assessment of the non-current assets belonging to China Animation Group included:</p> <ul style="list-style-type: none"> <li>Assessing the identification of the related cash generating unit;</li> <li>Assessing the arithmetical accuracy of value-in-use calculations;</li> <li>Obtaining the discounted future cash flow analysis approved by the management and checking its mathematical accuracy;</li> <li>Evaluating the appropriateness of the methodology and the reasonableness of the key assumptions adopted by the management including budgeted revenue, budgeted gross margins, discount rate and growth rate; and</li> <li>Testing the accuracy and evaluating the relevance of key inputs adopted in the discounted future cash flow model against historical performance of the Group, with reference to the future strategic plans of the Group in respect of the CGU.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT

## Key Audit Matters (Continued)

### Impairment assessment of intangible assets relating to the multimedia animation entertainment segment (“the multimedia segment”)

Refer to Note 18 to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<p>As at 31 March 2021, the carrying amounts of intangible assets relating to the multimedia segment, being five individual intangible assets which generate cash flows largely independent of others, were approximately HK\$201,568,000. The intangible assets are assessed for impairment when indicators of impairment loss existed at the end of the reporting period.</p> <p>We have identified the impairment of these intangible assets relating to the multimedia segment as a key audit matter because of their significance to the consolidated financial statements and the involvement of a significant degree of judgements and high estimation uncertainty made by the management for the profit forecasts and cash flows projections for the fair value less cost of disposal calculations.</p> <p>Valuation prepared by the Valuer was obtained in respect of the fair value less cost of disposal in order to support management’s estimates.</p> <p>Based on the management’s assessment, no impairment was recognised on these intangible assets belonging to the multimedia segment.</p>	<p>Our procedures in relation to the impairment assessment of the intangible assets relating to the multimedia segment included:</p> <ul style="list-style-type: none"><li>• Assessing the identification of the related cash generating units;</li><li>• Assessing the arithmetical accuracy of fair value less cost of disposal calculations;</li><li>• Obtaining the discounted future cash flow analysis approved by the management and checking its mathematical accuracy;</li><li>• Evaluating the competence, capabilities and objectivity of the Valuer;</li><li>• Evaluating the appropriateness of the methodology and the reasonableness of the key assumptions adopted by the management and the Valuer including budgeted revenue, budgeted gross margins, discount rate and growth rate; and</li><li>• Testing the accuracy and evaluating the relevance of key inputs adopted in the discounted future cash flow model against historical performance of the Group, with reference to the future strategic plans of the Group in respect of the intangible assets.</li></ul>

## Key Audit Matters (Continued)

### Investment in associates

Refer to Note 19(c) to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<p>Included in investment in associates in the consolidated statement of financial position as at 31 March 2021 is the investment in Access Profit Global Enterprises Group Limited (“<b>Access Profit</b>”) of approximately HK\$91,185,000.</p> <p>The Group tested the carrying amount of the investment in Access Profit for impairment due to the presence of impairment indicator. This impairment test is significant to our audit because the balance of the investment in Access Profit as at 31 March 2021 is material to the consolidated financial statements. In addition, the Group’s impairment test involves application of significant judgement and is based on assumptions and estimates by management and external valuation specialists.</p> <p>Based on the management’s assessment, no impairment was recognised on the investment in Access Profit.</p>	<p>Our procedures in relation to the impairment assessment of the investment in Access Profit included:</p> <ul style="list-style-type: none"> <li>Assessing the competence, independence and objectivity of the external valuer engaged by the Group;</li> <li>Challenging the valuation process, methodology used and market evidence to support significant judgments and assumptions applied in the valuation model;</li> <li>Assessing the arithmetical accuracy of fair value less costs of disposal calculations;</li> <li>Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rate and discount rate); and</li> <li>Checking input data to supporting evidence.</li> </ul>

### Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## INDEPENDENT AUDITOR'S REPORT

### Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **KTC Partners CPA Limited**

*Certified Public Accountants (Practising)*

#### **Chow Yiu Wah, Joseph**

*Audit Engagement Director*

Practising Certificate Number P04686

Hong Kong, 30 June 2021

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	5	478,309	391,814
Cost of sales and services		(310,609)	(324,045)
Gross profit		167,700	67,769
Other income	6	8,370	4,588
Other gains and losses	7	52,558	130,148
Selling and distribution expenses		(12,895)	(23,432)
Administrative expenses		(87,020)	(122,000)
Research and development expenses		(10,807)	(19,394)
Share of profit of a joint venture	20	8,709	–
Share of profit/(loss) of associates	19	8,773	(297)
Gain on disposal of a subsidiary	42	–	161,953
Finance costs	8	(88,659)	(77,997)
Reversal of/(provision for) impairment loss under expected credit loss model, net of reversal	9	5,227	(17,971)
Other expenses		–	(387)
Profit before taxation		51,956	102,980
Taxation	10	19,026	6,508
Profit for the year	11	70,982	109,488
<b>Other comprehensive income (expense):</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement of defined benefit plans		(1,124)	(1,490)
Fair value gain/(loss) on financial assets at fair value through other comprehensive income			
– investment in equity instrument at fair value through other comprehensive income		75,536	(26,394)
– hedging instruments for fair value hedge		(65,202)	–
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of:			
– subsidiaries		(2,452)	(6,219)
– associate		–	(598)
Other comprehensive income/(expense) for the year		6,758	(34,701)
Total comprehensive income for the year		77,740	74,787
Profit for the year attributable to:			
Owners of the Company		83,086	105,222
Non-controlling interests		(12,104)	4,266
		70,982	109,488
Total comprehensive income attributable to:			
Owners of the Company		90,196	70,924
Non-controlling interests		(12,456)	3,863
		77,740	74,787
Earnings per share	14		
– Basic (HK\$)		0.09	0.11
– Diluted (HK\$)		0.09	0.11

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	15	304,774	354,910
Right-of-use assets	16	153,261	164,947
Goodwill	17	2,450	2,472
Intangible assets	18	261,364	253,517
Interest in associates	19	215,824	5,110
Interest in a joint venture	20	108,829	100,120
Financial assets at fair value through profit or loss	27	–	84,120
Financial assets at fair value through other comprehensive income	21	48,007	81,505
Deposits for acquisition of property, plant and equipment	25	370,619	379,756
Rental deposits		16,788	18,381
		<b>1,481,916</b>	<b>1,444,838</b>
<b>Current assets</b>			
Inventories	23	861	798
Trade receivables	24	226,243	82,399
Amount due from a joint venture		–	54
Other receivables, deposits and prepayments	25	435,025	335,897
Financial assets at fair value through profit or loss	27	805	742
Restricted bank balances	22	4,523	–
Pledged bank deposits	22	3,565	15,069
Bank balances and cash	28	56,012	52,800
		<b>727,034</b>	<b>487,759</b>
<b>Current liabilities</b>			
Trade payables	29	1,367	8,213
Other payables and accruals	30	94,408	56,346
Amount due to a director	26	562	897
Contract liabilities	31	85,003	24,979
Tax payable		84,794	103,106
Guaranteed note	33	78,991	99,267
Bonds	36	199,397	124,817
Lease liabilities	34	36,426	34,468
Bank and other borrowings	35	21,353	23,385
		<b>602,301</b>	<b>475,478</b>
<b>Net current assets</b>		<b>124,733</b>	<b>12,281</b>
<b>Total assets less current liabilities</b>		<b>1,606,649</b>	<b>1,457,119</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>Non-current liabilities</b>			
Bonds	36	158,704	245,670
Bank and other borrowings	35	80,664	27,938
Lease liabilities	34	118,651	136,713
Long term other payables	30	595	61,158
Contract liabilities	31	40,222	–
Deferred tax liabilities	37	910	2,340
Retirement benefit obligations	38	–	62
Provision for reinstatement costs for rented premises	32	31,980	32,389
Obligation arising from a put option to a non-controlling interest	39	3,065	7,507
Put option derivatives	39	1,517	440
		<b>436,308</b>	514,217
<b>Net assets</b>			
		<b>1,170,341</b>	942,902
<b>Capital and reserves</b>			
Share capital	40	98,170	92,006
Reserves		1,074,373	840,642
Equity attributable to owners of the Company		1,172,543	932,648
Non-controlling interests		(2,202)	10,254
<b>Total equity</b>		<b>1,170,341</b>	942,902

The consolidated financial statements on pages 56 to 159 were approved and authorised for issue by the board of directors on 30 June 2021 and are signed on its behalf by:

Chong Heung Chung Jason  
DIRECTOR

Ting Ka Fai Jeffrey  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Attributable to owners of the Company									Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Investments revaluation reserve HK\$'000	Hedging reserve HK\$'000	Share-based compensation reserve HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 1 April 2019	92,006	578,726	1,083	(53,984)	-	12,195	(88,878)	341,096	882,244	6,391	888,635
Profit for the year	-	-	-	-	-	-	-	105,222	105,222	4,266	109,488
Exchange differences arising on translation of foreign subsidiaries	-	-	(6,414)	-	-	-	(222)	-	(6,636)	(181)	(6,817)
Fair value loss on financial assets at fair value through other comprehensive income	-	-	-	(26,394)	-	-	-	-	(26,394)	-	(26,394)
Remeasurement of defined benefit plans	-	-	-	-	-	-	(1,268)	-	(1,268)	(222)	(1,490)
Total comprehensive expense for the year	-	-	(6,414)	(26,394)	-	-	(1,490)	105,222	70,924	3,863	74,787
Dividend recognised as distribution (Note 13)	-	-	-	-	-	-	-	(21,161)	(21,161)	-	(21,161)
Recognition of equity-settled share-based payments	-	-	-	-	-	641	-	-	641	-	641
At 31 March 2020	92,006	578,726	(5,331)	(80,378)	-	12,836	(90,368)	425,157	932,648	10,254	942,902
Profit for the year	-	-	-	-	-	-	-	83,086	83,086	(12,104)	70,982
Exchange differences arising on translation of foreign subsidiaries	-	-	(2,482)	-	-	-	215	-	(2,267)	(185)	(2,452)
Fair value gain on investment in equity instrument at fair value through other comprehensive income	-	-	-	75,536	-	-	-	-	75,536	-	75,536
Fair value loss on hedging instruments for fair value hedge (Note 44c)	-	-	-	-	(65,202)	-	-	-	(65,202)	-	(65,202)
Remeasurement of defined benefit plans	-	-	-	-	-	-	(957)	-	(957)	(167)	(1,124)
Total comprehensive expense for the year	-	-	(2,482)	75,536	(65,202)	-	(742)	83,086	90,196	(12,456)	77,740
Issuance of consideration shares (Note 40)	6,164	143,535	-	-	-	-	-	-	149,699	-	149,699
Transfer upon lapse of share options	-	-	-	-	-	(12,836)	-	12,836	-	-	-
Disposal of investments in equity instruments at FVTOCI	-	-	-	(68,258)	-	-	-	68,258	-	-	-
Transfer of fair value hedging loss upon derecognition of hedging instruments	-	-	-	-	65,202	-	-	(65,202)	-	-	-
At 31 March 2021	98,170	722,261	(7,813)	(73,100)	-	-	(91,110)	524,135	1,172,543	(2,202)	1,170,341

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	2021 HK\$'000	2020 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	51,956	102,980
Adjustments for:		
Amortisation of intangible assets	38,052	41,954
Defined benefit plans loss	2,001	3,011
Depreciation of property, plant and equipment	46,092	45,761
Depreciation of right-of-use assets	37,091	33,186
Finance costs	88,659	77,997
Net gain on a put option to a non-controlling interest	(3,365)	–
Interest income	(111)	(1,747)
Gain on disposal of property, plant and equipment	(18,240)	(19,117)
Gain on disposal of intangible assets	–	(101,447)
Gain on disposal of a subsidiary	–	(161,953)
Share of (profit)/loss of associates	(8,773)	297
Share of profit of a joint venture	(8,709)	–
Provision recognised for reinstatement costs for rented premises	159	159
Gain on fair value changes of financial assets at fair value through profit or loss	(37,681)	(183)
Gain on non-substantial modification of financial liabilities measured at amortised cost	–	(9,799)
Share-based payments expense	–	641
Write-down of inventories	–	80
(Reversal of)/provision for impairment loss of trade and other receivables	(5,227)	17,971
Loss on acquisition of an associate	2,469	–
Gain on early termination of lease	(79)	–
Loss on extinguishment of financial liabilities	5,483	–
Operating cash flows before movements in working capital	189,777	29,791
Increase in inventories	(621)	(155)
Increase in trade receivables	(157,165)	(24,554)
Decrease in other receivables, deposits and prepayments	9,850	9,843
Decrease/(increase) in amount due from a joint venture	54	(54)
Increase in trade payables	–	1,003
Increase in other payables and accruals	34,614	62,184
Increase/(decrease) in contract liabilities	31,868	(277)
<b>CASH FROM OPERATIONS</b>	<b>108,377</b>	<b>77,781</b>
Income tax (paid)/refunded	(601)	659
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>107,776</b>	<b>78,440</b>
<b>INVESTING ACTIVITIES</b>		
Deposits paid for and purchase of property, plant and equipment	(2,022)	(57,567)
Placement of time deposits	–	(1,423)
Placement of restricted bank deposits	(4,523)	–
Purchase of financial assets at fair value through profit or loss	–	(71,177)
Proceeds of redemption of financial assets at fair value through profit or loss	–	74,174
Withdrawal of time deposits	11,504	96,325
Interest received	111	1,747
Proceeds from disposal of property, plant and equipment	–	1,746
Repayment from a director	–	2,408
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>5,070</b>	<b>46,233</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	2021 HK\$'000	2020 HK\$'000
<b>FINANCING ACTIVITIES</b>		
Proceeds from bonds issuance, net of issue expenses	63,452	98,462
New bank borrowings raised	71,189	23,857
Advances from a director	218	897
Repayment of bonds	(94,764)	–
Interest paid	(61,399)	(56,255)
Dividends paid	–	(21,161)
Repayment of guaranteed note	(20,000)	(40,000)
Repayment of bank and other borrowings	(19,736)	(100,588)
Repayment of lease liabilities	(46,079)	(30,572)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(107,119)</b>	<b>(125,360)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>5,727</b>	<b>(687)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>52,800</b>	<b>50,387</b>
<b>EFFECTS OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>(2,515)</b>	<b>3,100</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH</b>	<b>56,012</b>	<b>52,800</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 1. Corporate Information

CA Cultural Technology Group Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 25 September 2013 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its parent and ultimate holding company is Bright Rise Enterprises Limited (“**Bright Rise**”), a private company incorporated in the British Virgin Islands. Its ultimate controlling shareholder is Mr. Chong Heung Chung Jason (the “**Controlling Shareholder**”). The registered office of the Company is at Cricket Square, Hutchins Drive, PO BOX 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is Room 2905, 29th Floor, China Resources Building, No.26 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) are engaged in the sales of animation derivative products and theme park machineries, establishment and operation of indoor theme parks, provision of theme park design and consultancy services and multimedia animation entertainment.

The consolidated financial statements are presented in Hong Kong dollar (“**HKS**”), which is the same as the functional currency of the Company.

## 2. Application of Amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”)

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 Covid-19-Related Rent Concessions.

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

## 2. Application of Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

### Impacts on application of Amendments to HKFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

### Impacts on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform

The Group has applied the amendments for the first time in the current year. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform.

The amendments had no impact on the consolidated financial statements of the Group.

### Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-Related Rent Concessions is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening retained earnings at 1 April 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 2. Application of Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

### New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the “**Conceptual Framework**”) instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 2. Application of Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

### Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2*

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2* relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;
- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and
- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity’s progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

### Amendments to HKFRS 10 and HKAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 2. Application of Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

### *Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group’s outstanding liabilities as at 31 March 2021, the application of the amendments will not result in reclassification of the Group’s liabilities as at 31 March 2021.

### *Amendments to HKAS 16 Property, Plant and Equipment – Proceeds before Intended Use*

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 *Inventories*.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 2. Application of Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

### *Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract*

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

### *Amendments to HKFRSs Annual Improvements to HKFRSs 2018-2020*

The annual improvements make amendments to the following standards.

#### *HKFRS 9 Financial Instruments*

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the “10 per cent” test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf.

#### *HKFRS 16 Leases*

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

#### *HKAS 41 Agriculture*

The amendment ensures consistency with the requirements in HKFRS 13 *Fair Value Measurement* by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

## 3. Significant Accounting Policies (Continued)

### Basis of consolidation (Continued)

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### *Changes in the Group's ownership interests in existing subsidiaries*

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### Business combinations or asset acquisitions

#### *Optional concentration test*

Effective from 1 April 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. Significant Accounting Policies (Continued)

### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not large than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

## 3. Significant Accounting Policies (Continued)

### Interest in an associate and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of an associate and a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the associate and joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or a joint venture. Changes in net assets of the associate and joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or a joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or a joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

Interest in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or a joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or a joint venture that are not related to the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. Significant Accounting Policies (Continued)

### Revenue recognition

#### *Revenue from contracts with customers*

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

*Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation*

#### Output method

Revenue from licensing income and revenue from ticket sold for use at a future date are recognised over time by reference to output method. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group’s performance in transferring control of goods or services.

## 3. Significant Accounting Policies (Continued)

### Revenue recognition (Continued)

#### *Revenue from contracts with customers (Continued)*

##### *Existence of significant financing component*

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

### Lease

#### (a) *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### (b) *The Group as a lessee*

##### (i) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. Significant Accounting Policies (Continued)

### Lease (Continued)

#### (b) The Group as a lessee (Continued)

##### (ii) Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The principal annual rates are as follows:

Plant and machinery	2 to 5 years
Leased properties	1 to 6 years
Leasehold land	214 months

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

##### (iii) Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments (“**HKFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

##### (iv) Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

## 3. Significant Accounting Policies (Continued)

### Lease (Continued)

#### (b) The Group as a lessee (Continued)

##### (iv) Lease liabilities (Continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

##### (v) Lease modifications

Except for Covid-19-Related Rent Concessions in which the Group applied practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. Significant Accounting Policies (Continued)

### Lease (Continued)

#### (b) The Group as a lessee (Continued)

##### (v) Lease modifications (Continued)

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

##### (vi) Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

## 3. Significant Accounting Policies (Continued)

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

### Retirement benefit costs and termination benefits

Payments to the Mandatory Provident Fund Scheme and other state-managed retirement benefit scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in other reserves and will not be reclassified to profit or loss. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. Significant Accounting Policies (Continued)

### Retirement benefit costs and termination benefits (Continued)

Defined benefit costs are categorised as follows:

- service cost (representing current service cost);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

### Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

### Share-based payment transactions

#### *Equity-settled share-based payment transactions*

Share options granted to employees and others providing similar services to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in share-based compensation reserve. At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based compensation reserve.

When share options are exercised, the amount previously recognised in share-based compensation reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based compensation reserve will be transferred to retained profits.

## 3. Significant Accounting Policies (Continued)

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. Significant Accounting Policies (Continued)

### Property, plant and equipment

Property, plant and equipment (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments for a property interest which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the consideration cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as property, plant and equipment.

Construction in progress for production or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

## 3. Significant Accounting Policies (Continued)

### Intangible assets

#### *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

#### *Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. Significant Accounting Policies (Continued)

### Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

## 3. Significant Accounting Policies (Continued)

### Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

#### (a) Financial assets

##### (i) Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### (a) Financial assets (Continued)

##### (ii) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

##### (iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income line item in profit or loss.

##### (iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

##### (v) Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets at amortised cost which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balance or collectively using a provision matrix with similar credit risk characteristics based primarily on the debtors' aging profiles.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### (a) Financial assets (Continued)

##### (v) Impairment of financial assets (Continued)

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that result in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### (a) Financial assets (Continued)

##### (v) Impairment of financial assets (Continued)

###### Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

###### Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

###### Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### (a) Financial assets (Continued)

##### (v) Impairment of financial assets (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

##### (vi) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### (b) Financial liabilities and equity

##### (i) Classification as debt or equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### (ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recognised at the proceeds received, net of direct issue costs.

##### (iii) Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

##### (iv) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### (b) Financial liabilities and equity (Continued)

##### (iv) Financial liabilities at FVTPL (Continued)

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible bonds, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

##### (v) Financial liabilities at amortised cost

Financial liabilities including trade payables, other payables, bank and other borrowings, guaranteed note and bonds are subsequently measured at amortised cost, using the effective interest method.

##### (vi) Derecognition/Substantial modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

##### (vii) Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

## 3. Significant Accounting Policies (Continued)

### Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

#### *Hedge accounting*

The Group designates certain derivatives as hedging instruments for fair value hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking the hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values of the hedged item attributable to the hedged risk.

#### *Assessment of hedging relationship and effectiveness*

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

#### *Fair value hedges*

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI, in which case it is recognised in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. Significant Accounting Policies (Continued)

### Derivative financial instruments (Continued)

#### Hedge accounting (Continued)

##### Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For fair value hedge of debt instruments at amortised cost or debt instruments at FVTOCI, the fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date. The amortisation is based on a recalculated effective interest rate at the date that amortisation begins. In the case of debt instruments at FVTOCI, amortisation applies in the same manner but to the extent of the cumulative hedging gain or loss previously recognised in profit or loss.

## 4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### *Significant influence over Triple Blessing International Limited ("Triple Blessing") and Lion Run Holdings Limited ("Lion Run")*

Note 19 describes that Triple Blessing and Lion Run are associates (the "**Associates**") of the Group although the Group has 48% ownership interest and voting rights in the Associates. The remaining 52% of shareholdings are owned by several investors that are unrelated to the Group. Details of the Associates are set out in note 19.

The directors of the Company assessed whether the Group has control over the Associates based on whether the Group has the practical ability to direct the relevant activities of the Associates unilaterally. In making the judgement, the directors of the Company considered the Group's absolute size of holding in the Associates and the relative size of and dispersion of the shareholdings owned by the other shareholders. After assessment, the directors of the Company concluded that the Group does not have sufficiently dominant voting interest to direct the relevant activities of the Associates and therefore the Group does not have control over the Associates.

### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## 4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

### Provision of ECL for trade receivables, other receivables and deposits

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired receivables are assessed for ECL individually.

ECL for other receivables and deposits are also based on management's estimate of the 12-months/lifetime ECL to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue other receivables and deposits, debtors' repayment history and an assessment of both the current and forecast general economic conditions.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables, other receivables and deposits are disclosed in Notes 24, 25 and 44(b).

### Estimated useful lives of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives, using straight-line method. The estimated useful lives that the Group depreciates the property, plant and equipment reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the assets. Actual economic lives may differ from estimated useful lives. If the actual useful lives of property, plant and equipment are less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charges for the remaining periods.

At 31 March 2021, the carrying amount of property, plant and equipment was HK\$304,774,000 (2020: HK\$354,910,000). Details of the useful lives of the property, plant and equipment are disclosed in Note 15.

### Estimated useful lives of intangible assets

The Group's management determines the estimated useful lives and related amortisation charges for its intangible assets. This estimate is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to market conditions. Actual economic lives may differ from estimated useful lives. If the actual useful lives of intangible assets are less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the amortisation charges for the remaining periods.

At 31 March 2021, the carrying amount of intangible assets is HK\$261,364,000 (2020: HK\$253,517,000). Details of the useful lives of the intangible assets are disclosed in Note 18.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

### Estimated impairment of non-current assets relating to CA Sega Group, Huajiatai, China Animation Group and the multimedia segment

Property, plant and equipment and intangible assets are stated at costs less accumulated depreciation, accumulated amortisation and impairment, if any. The directors review their impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable at the end of each reporting period. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Based on the management's assessment, no impairment was recognised on non-current assets relating to CA Sega Group, Huajiatai, China Animation Group and the multimedia segment.

### Estimated impairment of investment in Access Profit Global Enterprises Company Limited ("Investment in Access Profit")

The carrying value of Access Profit, a subsidiary newly acquired by the Group on 3 September 2020, was approximately HK\$91,850,000 as at 31 March 2021. Management's assessment of the recoverable amount of the investment in Access Profit is described in Note 19(c).

The management assessed the recoverable amount of the investment in Access Profit by fair value less cost of disposal calculation using discounted cash flow model in respect of the impairment assessment as at 31 March 2021 and estimates of future storage volume and delivery capacity. Key assumptions applied in the impairment assessment model include forecasted unit price of storage and delivery service, the growth rate and a discount rate. No impairment loss in respect of the investment in Access Profit has been recognized in profit or loss during the year ended 31 March 2021.

### Fair value measurement of financial instruments

As at 31 March 2021, certain of the Group's financial assets, including an investment in unlisted equity investments (2020: Convertible Notes), amounting to HK\$40,000,000 (2020: HK\$84,120,000), are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 44 for further disclosures.

### Income tax

The Group is subject to income taxes in Hong Kong and overseas locations. Judgment is required in determining the provision for income taxes. There are transactions for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provision in the period in which such determination is made. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgment on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 5. Revenue and Segment Information

Revenue represents revenue arising from sales of animation derivative products, establishment and operation of indoor theme parks and multimedia animation entertainment in Hong Kong, Japan and the PRC during the year.

Information reported to the chief executive of the Company, being the chief operating decision maker (“**CODM**”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group’s operating and reportable segments currently are: (i) sales of animation derivative products, (ii) establishment and operation of indoor theme parks and (iii) multimedia animation entertainment. The CODM considers the Group has three operating and reportable segments which are based on the internal organisation and reporting structure. This is the basis upon which the Group is organised.

### (i) Revenue from contract with customers within the scope of HKFRS 15

#### (a) Disaggregation of revenue from contracts with customers

	Notes	2021 HK\$'000	2020 HK\$'000
Sales of animation derivative products		139,201	137,271
Sales of admission tickets		106,817	222,283
Sales of theme park machineries		35,667	3,984
Revenue from multimedia animation entertainment	(i)	83,624	28,276
Revenue from provision of theme park design and consultancy services	(ii)	113,000	–
		<b>478,309</b>	391,814

Notes:

- (i) The revenue is mainly derived from licensing income generated from the Group’s animation characters, sales of VR products, and ticketing income from VR gaming exhibitions.
- (ii) The revenue is mainly derived from the provision of theme park design and consultancy services in a single reporting package to customers who are business partners with certain property developers in the PRC.

Timing of revenue recognition:

	2021 HK\$'000	2020 HK\$'000
At point in time	450,314	360,045
Over time	27,995	31,769
	<b>478,309</b>	391,814

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 5. Revenue and Segment Information (Continued)

### (i) Revenue from contract with customers within the scope of HKFRS 15 (Continued)

#### (b) Performance obligations for contracts with customers

##### *Sales of animation derivative products*

Revenue from sales of animation derivative products is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (i.e. upon delivery). Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

##### *Sales of admission tickets*

Customers obtain control of goods when the tickets are accepted and surrendered by the customers upon entering the theme parks. Revenue from tickets sold for use at a future date is deferred and recognised as contract liability until the tickets are surrendered or have expired, which amounted to approximately HK\$4,876,000 as at 31 March 2021 (2020: HK\$22,582,000). There is generally only one performance obligation.

##### *Licensing income*

Licensing income is recognised when the following criteria are met: (i) an agreement has been signed with a customer, (ii) the brand being licensed has been utilised by the customer for production of goods and provision of services and (iii) it is probable that future economic benefits will flow to the Group. There is generally only one performance obligation. Invoices are usually payable within 90 days to 365 days.

The licensing income is included in the segment revenue of multimedia animation entertainment.

##### *Sales of theme park machineries*

Revenue from sales of theme park machineries is recognized when control of the goods has transferred, being when the goods have been accepted by the customers. Following the delivery and acceptance, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibilities when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

The income from sales of theme park machineries is included in the segment of establishment and operation of theme park.

##### *Provision for theme park design and consultancy services*

The Group provides integrated theme park design and consultancy services to customers under fixed-price contracts. The performance obligation of the Group includes delivery of an integrated theme park design and business plan in a single reporting package. Revenue from the provision for theme park design and consultancy service is recognised at a point in time when the customer has accepted and approved the reporting package.

The service income is included in the segment revenue of establishment and operation of theme park.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 5. Revenue and Segment Information (Continued)

### (i) Revenue from contract with customers within the scope of HKFRS 15 (Continued)

- (c) *Transaction price allocated to the remaining unsatisfied performance obligation for contracts with customers:*

	Establishment and operation of indoor theme park	
	2021 HK\$'000	2020 HK\$'000
Within one year	81,182	1,638
More than one year but not more than two years	3,414	1,638
More than two years	15,363	13,100
	<b>99,959</b>	<b>16,376</b>

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contracts for sales of animation derivative products, sales of admission tickets of indoor theme parks, provision for theme park design and consultancy services and sales of indoor theme park machineries 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 aforesaid contracts that had an original expected duration of one year or less.

### (ii) Segment information

#### (a) Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

	Sales of animation derivative products HK\$'000	Establishment and operation of indoor theme parks HK\$'000	Multimedia animation entertainment HK\$'000 <sup>(i)</sup>	Total HK\$'000
<b>For the year ended 31 March 2021</b>				
Segment revenue	139,201	255,484	83,624	478,309
Segment profit	33,918	53,064	81,585	168,567
Unallocated income				5,227
Unallocated expenses				(75,985)
Unallocated other income, other gains and losses				35,509
Unallocated finance costs				(81,362)
Profit before taxation				51,956
<b>For the year ended 31 March 2020</b>				
Segment revenue	137,271	226,267	28,276	391,814
Segment profit/(loss)	14,329	(5,175)	237,942	247,096
Unallocated income				3,798
Unallocated expenses				(92,303)
Unallocated other gains and losses				9,409
Unallocated finance costs				(65,020)
Profit before taxation				102,980

Notes:

- (i) During the year ended 31 March 2020, the segment profit for multimedia animation entertainment segment included the gain on disposal of a subsidiary of HK\$161,953,000 and gain on disposal of intangible assets of HK\$101,447,000.
- (ii) There was no inter-segment revenue for the years ended 31 March 2021 and 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 5. Revenue and Segment Information (Continued)

#### (ii) Segment information (Continued)

##### (b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

##### Segment assets

	2021 HK\$'000	2020 HK\$'000
Sales of animation derivative products	140,401	166,474
Establishment and operation of indoor theme parks	953,953	905,339
Multimedia animation entertainment	865,070	585,609
Total segment assets	1,959,424	1,657,422
Property, plant and equipment	4,816	12,854
Interest in associates	91,196	5,110
Right-of-use assets	2,358	4,127
Other receivables, deposits and prepayments	35,794	16,376
Goodwill	2,450	2,472
Financial assets at FVTPL	805	84,862
Financial assets at FVTOCI	48,007	81,505
Restricted bank deposit	4,523	–
Pledged bank deposits	3,565	15,069
Bank balances and cash	56,012	52,800
Consolidated assets	2,208,950	1,932,597

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 5. Revenue and Segment Information (Continued)

#### (ii) Segment information (Continued)

##### (b) Segment assets and liabilities (Continued)

###### Segment liabilities

	2021 HK\$'000	2020 HK\$'000
Sales of animation derivative products	4,254	11,189
Establishment and operation of indoor theme parks	350,440	284,851
<b>Total segment liabilities</b>	<b>354,694</b>	296,040
Other payables and accruals	50,342	49,963
Contract liabilities	200	183
Amount due to a director	562	897
Secured bank borrowings and other borrowings	102,017	51,323
Tax payable	84,794	103,106
Lease liabilities	2,820	7,028
Deferred tax liabilities	910	2,340
Bonds	358,101	370,487
Guaranteed note	78,991	99,267
Obligation arising from a put option to a non-controlling interest	3,065	7,507
Put option derivatives	1,517	440
Long-term payable	596	1,114
<b>Consolidated liabilities</b>	<b>1,038,609</b>	989,695

Segment assets represent certain property, plant and equipment, right-of-use assets, prepaid lease payments, intangible assets, deposits for acquisition of plant and equipment, deposits for acquisition of long term investment, interest in an associate, interest in a joint venture, inventories, trade receivables, certain other receivables, rental deposits, deposits and prepayments and prepayment to a game developer which are directly attributable to the relevant operating and reportable segments.

Segment liabilities represent trade and notes payables, certain other payables and accruals, contract liabilities, lease liabilities, deferred tax liabilities, retirement benefit obligations, provision for reinstatement costs for rented premises, tax payable, obligation arising from a put option to a non-controlling interest and put option derivatives which are directly attributable to the relevant operating and reportable segments. These are the measures reported to the CODM for the purpose of resources allocation and assessment of segment performance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 5. Revenue and Segment Information (Continued)

### (ii) Segment information (Continued)

#### (c) Other segment information

	Sales of animation derivative products HK\$'000	Establishment and operation of indoor theme parks HK\$'000	Multimedia animation entertainment HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Total HK\$'000
<b>2021</b>						
Amounts included in the measurement of segment profit or loss and segment assets:						
Additions to property, plant and equipment, right-of-use assets and intangible assets	-	8,548	73,703	82,251	-	82,251
Depreciation and amortisation of property, plant and equipment, intangible assets and right-of-use assets	2,808	74,707	33,213	110,728	10,507	121,235
Share of profit/(loss) of associates	-	193	8,927	9,120	(347)	8,773
Share of profit of a joint venture	-	-	8,709	8,709	-	8,709
(Loss)/gain on disposal of property, plant and equipment	-	(3,053)	21,293	18,240	-	18,240
Finance costs	9	7,192	96	7,297	81,362	88,659
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:						
Taxation	(18,516)	(510)	-	(19,026)	-	(19,026)
<b>2020</b>						
Amounts included in the measurement of segment profit or loss and segment assets:						
Additions to property, plant and equipment, right-of-use assets and intangible assets	47	272,045	223,975	496,067	11,496	507,563
Depreciation and amortisation of property, plant and equipment, intangible assets and right-of-use assets	2,904	69,856	37,235	109,995	10,786	120,781
Gain on disposal of intangible assets	-	-	101,447	101,447	-	101,447
Gain/(loss) on disposal of property, plant and equipment	-	19,292	(175)	19,117	-	19,117
Gain on disposal of a subsidiary	-	-	161,953	161,953	-	161,953
Finance costs	35	12,790	152	12,977	65,020	77,997
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:						
Taxation	(7,286)	778	-	(6,508)	-	(6,508)

Segment profit (loss) represents the profit (loss) earned (incurred) by each segment without allocation of certain administrative expenses, share-based payment expenses, other gains and losses (excluded gain on disposal of intangible assets), share of result of an associate, share of result of a joint venture, finance costs and unallocated income and expenses. This is the measure reported to CODM for the purpose of resource allocation and performance assessment.

All the segment revenue reported above is from external customers.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 5. Revenue and Segment Information (Continued)

### (ii) Segment information (Continued)

#### (d) Geographical information

The Group's operations are located in Hong Kong, Japan, Cambodia and the PRC.

Information about the Group's revenue from external customers is presented based on the destination of shipment for sales of products or location of services rendered/operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

#### Revenue from external customers

	2021 HK\$'000	2020 HK\$'000
PRC	280,065	90,191
Hong Kong	43,035	4,057
Japan	155,209	297,566
	<b>478,309</b>	391,814

#### Non-current assets by geographical location

	2021 HK\$'000	2020 HK\$'000
PRC*	1,237,578	1,054,780
Hong Kong	8,086	8,064
Japan	104,709	128,484
Cambodia	66,748	69,504
	<b>1,417,121</b>	1,260,832

Note: Non-current assets excluded financial assets at FVTOCI, financial assets at FVTPL and rental deposits.

\* As at 31 March 2021, the carrying amount of trademark arising from acquisition of subsidiaries included HK\$3,639,000 (2020: HK\$9,359,000) which is allocated to the PRC as it is expected to be used in the PRC.

#### Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group, which was mainly derived from provision of theme park design and consultancy service, licensing of intangible assets and sales of animation derivative products, are as follows:

	2021 HK\$'000	2020 HK\$'000
Customer A	125,000 <sup>1</sup>	–
Customer B	N/A*	47,906 <sup>2</sup>

\* The corresponding revenue did not contribute 10% or more of the total revenue of the Group in the respective year.

<sup>1</sup> Revenue from provision of theme park design and consultancy service and licensing of intangible assets.

<sup>2</sup> Revenue from sales of animation derivative products.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 6. Other Income

	2021 HK\$'000	2020 HK\$'000
Interest income	111	1,747
Government grants (Note)	7,459	1,494
Others	800	1,347
	<b>8,370</b>	4,588

Note: Included in the government grants are amounts of approximately HK\$540,000 (2020: Nil) and HK\$6,167,000 (2020: Nil) received from the Hong Kong government and the Ministry of Health, Labour and Welfare of the Japanese government respectively in respect of employment retention scheme implemented by the respective government due to COVID-19. There are no unfulfilled conditions or contingencies relating to these grants.

### 7. Other Gains and Losses

	Note	2021 HK\$'000	2020 HK\$'000
Net exchange gain/(loss)		730	(352)
Net gain on a put option to a non-controlling interest		3,365	–
Gain from changes in fair value of financial assets mandatorily measured at FVTPL	(i)	37,681	183
Gain on disposal of property, plant and equipment		18,240	19,117
Loss on extinguishment of financial liability (Note 21(ii))		(5,483)	–
Loss arising from acquisition of an associate (Note 19(c))		(2,469)	–
Gain on non-substantial modification of financial liabilities measured at amortised cost		–	9,799
Other gain/(loss)		494	(46)
Gain on disposal of intangible assets		–	101,447
		<b>52,558</b>	130,148

Note:

- (i) The gain is mainly arising from the fair value increase in the convertible notes issued by Aceso Life Science Group Limited (formerly known as Hao Tian Development Group Limited) (“**Aceso Life**”), a company listed on the Main Board of the Hong Kong Stock Exchange, which were recognised as financial assets at FVTPL of the Group (the “**Convertible Notes**”).

### 8. Finance Costs

	2021 HK\$'000	2020 HK\$'000
Interest expenses on bank borrowings	931	4,670
Interest expenses on other borrowings	428	99
Effective interest expenses on guaranteed note	10,989	13,788
Effective interest expenses on bonds	67,697	46,112
Interest on lease liabilities	8,611	13,327
Interest on bank overdraft	3	1
	<b>88,659</b>	77,997

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 9. (Reversal of)/Provision for Impairment Losses Under Expected Credit Loss Model, Net of Reversal

	2021 HK\$'000	2020 HK\$'000
(Reversal of)/Provision for impairment losses recognised on:		
– Trade receivables	(6,823)	13,671
– Other receivables and deposits	1,596	4,300
	<b>(5,227)</b>	17,971

### 10. Taxation

	2021 HK\$'000	2020 HK\$'000
The tax credit comprises:		
Hong Kong Profits Tax:		
Current tax	4,084	3,574
Overprovision in prior years	(22,600)	(10,860)
PRC Enterprise Income Tax (“EIT”)	–	73
Corporate tax in Japan		
Current tax	804	2,025
	<b>(17,712)</b>	(5,188)
Deferred taxation for the year (Note 37)	<b>(1,314)</b>	(1,320)
	<b>(19,026)</b>	(6,508)

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2 million of profits of the qualifying group entity is taxed at 8.25%, and profits above HK\$2 million are taxed at 16.5%. The profits of group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime are taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. The tax rate of the PRC subsidiaries is 25% for both years.

Corporate tax in Japan is calculated at 23.2% (2020: 23.2%) on the estimated assessable profit. Pursuant to relevant laws and regulations in Japan, withholding tax is imposed at 20.42% (2020: 20.42%) and 5% (2020: 5%) on dividends declared to local investors and foreign investors, respectively, in respect of profit generated by subsidiaries incorporated in Japan.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 10. Taxation (Continued)

The Group only notified the Hong Kong Inland Revenue Department (“**IRD**”) of its assessable profits for the years of assessment 2008/09 to 2012/13 in February 2014. After filing the respective tax returns, the Group received Notices of Assessment for the year of assessment 2008/09 in March 2014, the year of assessment 2009/10 in May 2014, and the years of assessment 2010/11 to 2012/13 in July 2014 from the IRD which stated that tax payable for the years of assessment 2008/09 to 2012/13 amounting to HK\$4,566,000 in aggregate, which is based on the amounts reported in tax returns filed by the Group for relevant years. As at 31 March 2021, the IRD has not issued any penalty notice to the Group in respect of the late notification of chargeability for the relevant years, and after seeking professional advice, the directors believe that the risk of the IRD issuing an additional assessment for year of assessment 2014/15 in respect of its offshore income claim is low. Accordingly, the tax provision of approximately HK\$22,600,000 for the year of assessment 2014/15 was reversed during the year ended 31 March 2021 (2020: HK\$10,860,000 for the year of assessment 2013/14).

The Group has lodged the offshore profits claims in respect of the trading income (other than trading income derived from Hong Kong affiliates of Japanese customers) and licensing income which were derived outside Hong Kong. Hence, the Group estimated the total tax payable for the years of assessment of 2008/09 to 2012/13 (on the assumption that the aforesaid offshore profit claims will be accepted by the IRD) amounted to HK\$4,566,000 and has already paid such amount to the IRD based on the tax returns received. As at 31 March 2021, the offshore profits claims are still under review by the IRD. The directors of the Company are of the opinion that in the event that the offshore profits claims in respect of the trading income are not accepted but the offshore profits claims in respect of the licensing income are accepted by the IRD, the estimated outstanding tax payable by the Group as at 31 March 2021 would be HK\$70,094,000 after considering the overprovision of year of assessment 2014/15 (2020: HK\$88,672,000 for the overprovision of year of assessment 2013/14). The directors believe that the Group has made appropriate provision in respect of the possible tax liability.

Save as disclosed above, the directors of the Company are of the opinion that the Group is not subject to taxation in any other jurisdictions.

The tax credit for the year can be reconciled to the profit before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	2021 HK\$'000	2020 HK\$'000
Profit before taxation	51,956	102,980
Notional tax on profit before taxation, calculated at the rates applicable to the tax jurisdictions concerned	8,573	16,992
Tax effect of share of result of associates	(1,448)	49
Tax effect of share of result of a joint venture	(1,437)	–
Tax effect of expenses not deductible for tax purpose	37,087	44,076
Tax effect of income not taxable for tax purpose	(47,795)	(58,267)
Tax effect of tax concession granted by government authority	(175)	(165)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,654)	1,238
Tax effect of tax losses not recognised	15,313	5,504
Utilisation of tax losses previously not recognised	(3,890)	(5,075)
Overprovision of taxation in prior years	(22,600)	(10,860)
	<b>(19,026)</b>	(6,508)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 11. Profit for the Year

	Note	2021 HK\$'000	2020 HK\$'000
Profit for the year has been arrived at after charging:			
Staff costs:			
Directors' emoluments		4,836	4,977
Other staff costs			
Salaries and other benefits	(i)	74,723	86,577
Retirement benefit schemes		9,980	11,221
Defined benefits costs		1,947	1,329
Share-based payments expense		–	298
		<b>91,486</b>	104,402
Auditor's remuneration			
– audit services		3,062	3,271
– non-audit services		–	300
		<b>3,062</b>	3,571
Cost of inventories recognised as expenses			
– sales of animation derivative products		97,457	95,504
– sales of theme park machineries		13,537	3,534
– sales of VR products (in relation to revenue from multimedia animation entertainment)		353	101
Building management fee (included in cost of sales and services)		13,799	17,539
Depreciation of property, plant and equipment			
– Cost of sales and services		34,334	33,581
– Administrative expenses		11,758	12,060
Depreciation of right-of-use assets			
– Cost of sales and services		32,986	29,562
– Administrative expenses		3,648	3,624
– Research and development expenses		457	–
Amortisation of intangible assets			
– Cost of sales and services		30,391	14,785
– Administrative expenses		7,661	27,169

Note:

- (i) Total salaries and other benefits amounting to approximately HK\$41,328,000 (2020: HK\$48,253,000) are included in cost of sales and services; amounting to approximately HK\$24,232,000 (2020: HK\$27,617,000) are included in administrative expenses and amounting to approximately HK\$9,163,000 (2020: HK\$10,707,000) are included in research and development expenses.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 12. Directors', Chief Executive's and Employees' Emoluments

#### Directors' and chief executive's emoluments

The emoluments paid or payable to each of the six (2020: six) directors of the Company are as follows:

#### For the year ended 31 March 2021

	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Incentive performance bonuses HK\$'000	Share-based payments expense HK\$'000	Total HK\$'000
Executive directors:						
Mr. Chong Heung Chung Jason	1,056	744	18	150	-	1,968
Mr. Ting Ka Fai Jeffrey	660	940	18	133	-	1,751
Ms. Liu Moxiang	325	13	29	-	-	367
	2,041	1,697	65	283	-	4,086
Independent non-executive directors:						
Mr. Ni Zhenliang	250	-	-	-	-	250
Mr. Tsang Wah Kwong	250	-	-	-	-	250
Mr. Hung Muk Ming	250	-	-	-	-	250
	750	-	-	-	-	750
	2,791	1,697	65	283	-	4,836

#### For the year ended 31 March 2020

	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Incentive performance bonuses HK\$'000	Share-based payments expense HK\$'000	Total HK\$'000
Executive directors:						
Mr. Chong Heung Chung Jason	1,056	744	18	150	43	2,011
Mr. Ting Ka Fai Jeffrey	660	940	18	133	43	1,794
Ms. Liu Moxiang	337	13	29	-	43	422
	2,053	1,697	65	283	129	4,227
Independent non-executive directors:						
Mr. Ni Zhenliang	250	-	-	-	-	250
Mr. Tsang Wah Kwong	250	-	-	-	-	250
Mr. Hung Muk Ming	250	-	-	-	-	250
	750	-	-	-	-	750
	2,803	1,697	65	283	129	4,977

Mr. Chong Heung Chung Jason is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 12. Directors', Chief Executive's and Employees' Emoluments (Continued)

#### Employees

Of the five individuals with the highest emoluments in the Group, two (2020: one) were directors and the chief executive of the Company whose emoluments are included above. The emoluments of the remaining three (2020: four) individuals were as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries and other benefits	3,887	4,583
Retirement benefit scheme contributions	18	69
Incentive performance bonus	305	104
Share-based payments expense	–	128
	<b>4,210</b>	<b>4,884</b>

Their emoluments were within the following bands:

	2021	2020
Nil to HK\$1,000,000	–	1
HK\$1,000,001 to HK\$1,500,000	2	2
HK\$1,500,001 to HK\$2,000,000	1	1

Incentive performance bonus was determined with reference to the Group's operating results, individual performance and comparable market statistics.

No emoluments have been paid by the Group to any of the directors or the chief executive of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2021 and 2020. None of the directors nor the chief executive waived or agreed to waive any emoluments during the years ended 31 March 2021 and 2020.

### 13. Dividends

	2021 HK\$'000	2020 HK\$'000
Dividends recognised as distributions during the year:		
– Nil (2020: Final dividend of HK\$2.3 cents per share for the year ended 31 March 2019)	–	21,161

The Board does not recommend the payment of a final dividend for the year ended 31 March 2021 (2020: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 14. Earnings Per Share

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK\$83,086,000 (2020: HK\$105,222,000) and the weighted average of 955,289,000 ordinary shares (2020: 920,062,000 ordinary shares) in issue during the year.

### (b) Diluted earnings per share

For the years ended 31 March 2021 and 2020, diluted earnings per share attributable to owners of the Company were the same as the basic earnings per share because the computation of diluted earnings per share does not assume the exercise of the Company's share options as the exercise price of those share options was higher than the average market price of the Company's shares for both years ended 31 March 2021 and 2020.

## 15. Property, Plant and Equipment

	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>COST</b>					
At 1 April 2019	187,802	152,800	8,686	52,767	402,055
Additions	171,167	6,585	1,346	192	179,290
Written off	(43)	(1,287)	(123)	–	(1,453)
Disposals	–	(87,838)	–	(22)	(87,860)
Transfers	–	–	275	(275)	–
Exchange adjustments	(3,103)	(3,087)	(375)	1	(6,564)
<b>At 31 March 2020</b>	<b>355,823</b>	<b>67,173</b>	<b>9,809</b>	<b>52,663</b>	<b>485,468</b>
Additions	230	1,784	8	–	2,022
Addition on acquisition of a subsidiary (Note 41)	–	27,326	–	–	27,326
Disposals	(3,680)	(37,349)	(141)	(241)	(41,411)
Exchange adjustments	3,229	(2,484)	(162)	(5)	578
<b>At 31 March 2021</b>	<b>355,602</b>	<b>56,450</b>	<b>9,514</b>	<b>52,417</b>	<b>473,983</b>
<b>DEPRECIATION</b>					
At 1 April 2019	65,580	61,403	5,857	–	132,840
Provided for the year	31,648	13,029	964	–	45,641
Eliminated on written off	(12)	(323)	(123)	–	(458)
Eliminated on disposals	–	(44,780)	–	–	(44,780)
Exchange adjustments	(1,145)	(1,248)	(292)	–	(2,685)
<b>At 31 March 2020</b>	<b>96,071</b>	<b>28,081</b>	<b>6,406</b>	<b>–</b>	<b>130,558</b>
Provided for the year	39,069	6,343	680	–	46,092
Eliminated on disposals	(2,006)	(4,391)	(83)	–	(6,480)
Exchange adjustments	1,446	(3,026)	619	–	(961)
<b>At 31 March 2021</b>	<b>134,580</b>	<b>27,007</b>	<b>7,622</b>	<b>–</b>	<b>169,209</b>
<b>CARRYING VALUES</b>					
At 31 March 2021	221,022	29,443	1,892	52,417	304,774
At 31 March 2020	259,752	39,092	3,403	52,663	354,910

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 15. Property, Plant and Equipment (Continued)

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, after taking into account of their residual values, over the following useful lives:

Leasehold improvements	Over the shorter of the lease terms or 5 years to 10 years
Plant and machinery	5 years to 10 years
Furniture, fixtures and equipment	5 years

Certain leased premises in the PRC are rented from Mr. Chong Heung Chung Jason, the Controlling Shareholder and the chief executive of the Company, who is in the process of obtaining the land use right certificates. After seeking legal advice, the directors of the Company consider that the title ownership certificates can be obtained by Mr. Chong Heung Chung Jason in due time for insignificant cost, therefore, the directors of the Company consider that there is no impairment on the leasehold improvements. As at 31 March 2021, the carrying value of the relevant leasehold improvement approximates HK\$3,556,000 (2020: HK\$11,976,000).

### Impairment test on property, plant and equipment in Huajiatai (Shanghai) Indoor Amusement Co., Ltd. ("Huajiatai")

In view of the operating loss of Huajiatai during the year ended 31 March 2021, the directors of the Company have performed impairment assessment on the property, plant and equipment with carrying amount as at 31 March 2021 of approximately HK\$103,194,000 belonging to Huajiatai, which is principally engaged in operation of indoor theme park in the PRC. Management's assessment on the recoverable amount of the property, plant and equipment was performed on Huajiatai as a single cash generating unit. The recoverable amount of this cash generating unit has been determined by the directors, based on value-in-use calculations. The pre-tax discount rate in measuring the amount of value in use is 29% per annum in relation to this cash generating unit. The discounted cash flow analysis used cash flow projections with a growth rate of 2% per annum being applied for estimated ticket price and number of visitors, direct costs and expenses. The growth rate reflects the long-term growth rate for the country in which the entity of the cash generating unit operates. The key assumptions also include budgeted sales and budgeted gross margins based on past performance and management expectations of market development.

As a result of the impairment assessment, no impairment loss had been recognised in respect of the property, plant and equipment in relation to Huajiatai during the year ended 31 March 2021. Management believes that any reasonably possible change in any of above assumptions would not cause the carrying amount of this cash generating unit to exceed the recoverable amount of this cash generating unit.

### Impairment test on property, plant and equipment, right-of-use assets and intangible assets relating to China Animation Group Limited and its subsidiary (collectively referred to as the "China Animation Group")

In view of the significant adverse change in the economic environment in which the Group's animation derivative products segment operates, the directors of the Company have performed impairment assessment on the property, plant and equipment with carrying amount of approximately HK\$88,901,000, right-of-use assets with carrying amount of approximately HK\$8,675,000 and intangible assets with carrying amount of approximately HK\$3,570,000, with aggregate carrying amount of approximately HK\$101,146,000 which belong to the China Animation Group in the sales of animation derivative products segment. Management's assessment on the recoverable amount of these assets was performed on the China Animation Group as a single cash generating unit.

The recoverable amount of this cash generating unit has been determined by the directors of the Company based on value-in-use calculations. The pre-tax discount rate in measuring the amount of value in use is 11% per annum in relation to this cash generating unit, which was determined by an independent professional valuer, AP Appraisal Limited. The discounted cash flow analysis used cash flow projections with a growth rate of 2% per annum being applied for estimated selling price, direct costs and expenses. The growth rate reflects the long-term growth rate for the country in which the entity of the cash generating unit operates. The key assumptions also include budgeted sales and budgeted gross margins based on past performance and management expectations of market development.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 15. Property, Plant and Equipment (Continued)

#### Impairment test on property, plant and equipment, right-of-use assets and intangible assets relating to China Animation Group Limited and its subsidiary (collectively referred to as the "China Animation Group") (Continued)

As a result of the impairment assessment, no impairment loss had been recognised in respect of the property, plant and equipment, right-of-use assets and intangible assets in relation to China Animation Group during the year ended 31 March 2021. Management believes that any reasonably possible change in any of above assumptions would not cause the carrying amount of this cash generating unit to exceed the recoverable amount of this cash generating unit.

### 16. Right-of-use Assets

	Leased properties HK\$'000 (note a)	Leasehold land HK\$'000 (note b)	Plant and machinery HK\$'000 (note a)	Total HK\$'000
<b>Cost</b>				
As at 1 April 2019	77,086	10,484	19,860	107,430
Addition	97,864	–	6,445	104,309
Effect of foreign currency exchange difference	(5,087)	–	177	(4,910)
<b>As at 31 March 2020</b>	<b>169,863</b>	<b>10,484</b>	<b>26,482</b>	<b>206,829</b>
Addition	1,374	–	5,165	6,539
Termination of leases	(8,636)	–	–	(8,636)
Modification of leases	16,036	–	–	16,036
Effect of foreign currency exchange difference	6,566	–	(1,054)	5,512
<b>As at 31 March 2021</b>	<b>185,203</b>	<b>10,484</b>	<b>30,593</b>	<b>226,280</b>
<b>Accumulated depreciation</b>				
As at 1 April 2019	–	636	8,323	8,959
Depreciation charge	30,789	587	1,810	33,186
Effect of foreign currency exchange difference	(398)	–	135	(263)
<b>As at 31 March 2020</b>	<b>30,391</b>	<b>1,223</b>	<b>10,268</b>	<b>41,882</b>
Depreciation charge	34,171	587	2,333	37,091
Termination of leases	(6,541)	–	–	(6,541)
Effect of foreign currency exchange difference	1,334	–	(747)	587
<b>As at 31 March 2021</b>	<b>59,355</b>	<b>1,810</b>	<b>11,854</b>	<b>73,019</b>
<b>Carrying Value</b>				
As at 31 March 2021	125,848	8,674	18,739	153,261
As at 31 March 2020	139,472	9,261	16,214	164,947

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 16. Right-of-use Assets (Continued)

	2021 HK\$'000	2020 HK\$'000
Expenses relating to low value and short-term leases	1,489	6,001
Variable lease payments not included in the measurement of lease liability	1,804	1,169
Covid-19-Related Rent Concessions	(5,526)	–
Total cash outflow for leases	49,372	37,333

Notes:

- (a) The Group leases various offices and plant and machinery under leases expiring from 1 to 6 years. Some leases include option to renew the lease when all terms are negotiated. None of the leases includes variable lease payments. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.
- (b) It represents the Group's ownership interests on leasehold land held for own use in Cambodia, with remaining lease term of 49 years (2020: 50 years).

## 17. Goodwill

	HK\$'000
<b>CARRYING VALUES</b>	
At 1 April 2019	2,472
Exchange adjustments	–
At 31 March 2020	2,472
Exchange adjustments	(22)
At 31 March 2021	2,450

### Impairment Testing on Goodwill

For the purposes of impairment testing, goodwill with carrying amount of approximately HK\$2,450,000, property, plant and equipment with carrying amount of approximately HK\$84,881,000 and intangible assets with carrying amount of approximately HK\$3,639,000, with aggregate carrying amount of approximately HK\$90,970,000, have been allocated to an individual cash-generating unit and comprising CA Sega Joypolis Limited and its subsidiary ("CA Sega Group") which operates indoor theme parks in Japan and the PRC, in the segment of establishment and operation of indoor theme parks.

The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation. Valuation prepared by independent professional valuers, Vision Appraisal and Consulting Limited, was obtained in respect of the value-in-use calculations in order to support management's estimations. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and pre-tax discount rate of 26% (2020: 23%). Cash flows beyond the five-year period is extrapolated using a steady 1% (2020: 1%) growth rate. Cash flow projections during the forecast period for the cash-generating units are based on the expected gross margins during the forecast period. Forecasted gross margins were determined based on past performance and the management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the cash-generating unit to exceed the recoverable amount of the cash-generating unit.

During the year ended 31 March 2021, the management of the Group determines that there is no impairment of the cash generating unit comprising CA Sega Group containing goodwill, property, plant and equipment and intangible assets (2020: Nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 18. Intangible Assets

	Film rights and applications HK\$'000 (note i)	Animation characters HK\$'000 (note ii)	Indoor theme park right HK\$'000 (note iii)	Exclusive distribution right HK\$'000 (note iv)	Trademark HK\$'000 (note v)	Total HK\$'000
<b>COST</b>						
At 1 April 2019	115,324	60,523	2,279	30,000	26,286	234,412
Additions (Note vi)	174,464	49,500	–	–	–	223,964
Disposal	(95,550)	(12,867)	–	(30,000)	–	(138,417)
Disposal of a subsidiary	(1,450)	(31,250)	–	–	–	(32,700)
Exchange adjustments	–	–	–	–	231	231
At 31 March 2020	192,788	65,906	2,279	–	26,517	287,490
Addition on acquisition of a subsidiary (Note 41)	–	46,364	–	–	–	46,364
Exchange adjustments	–	–	–	–	(465)	(465)
<b>At 31 March 2021</b>	<b>192,788</b>	<b>112,270</b>	<b>2,279</b>	<b>–</b>	<b>26,052</b>	<b>333,389</b>
<b>AMORTISATION</b>						
At 1 April 2019	23,792	12,107	1,140	7,500	11,877	56,416
Charge for the year	22,446	11,000	228	3,000	5,280	41,954
Written back	(36,231)	(7,306)	–	(10,500)	–	(54,037)
Written back on disposal of a subsidiary (Note 42)	(985)	(9,375)	–	–	–	(10,360)
At 31 March 2020	9,022	6,426	1,368	–	17,157	33,973
Charge for the year	26,097	6,471	228	–	5,256	38,052
<b>At 31 March 2021</b>	<b>35,119</b>	<b>12,897</b>	<b>1,596</b>	<b>–</b>	<b>22,413</b>	<b>72,025</b>
<b>CARRYING VALUES</b>						
At 31 March 2021	157,669	99,373	683	–	3,639	261,364
At 31 March 2020	183,766	59,480	911	–	9,360	253,517

## 18. Intangible Assets (Continued)

Notes:

- (i) Film rights and applications represent the acquisition of film rights and applications from production parties for the distribution of films and gaming applications in various videogram formats, film exhibition, licensing and sub-licensing of film titles and mobile phone gaming applications. Film rights and applications are stated at cost less accumulated amortisation and accumulated impairment losses. The costs of film rights and applications are amortised on a straight-line basis over their estimated useful lives starting from the completion of films and applications.

Included in Films rights and applications is 4 sets of gaming applications acquired in March 2020, with respective carrying amounts of approximately HK\$37,260,000, HK\$41,543,000, HK\$35,749,000 and HK\$42,466,000 as at 31 March 2021. The gaming applications entitle the Group to generate licensing income for 5 to 10 years from the date of acquisition. The net carrying amount will therefore be amortised over the remaining useful lives of 5 to 10 years.

- (ii) Animation characters represent the acquired intellectual properties in the form of trademarks and copyrights of various animation brands and related characters under the ownership of the Group. Included in Animation Characters is a shop design incorporating a brand name of an animation character, which were acquired in March 2020 with carrying amounts of approximately HK\$44,550,000 as at 31 March 2021. The animation character brand name entitle the Group to generate licensing income for 5 to 10 years from the date of acquisition. The net carrying amount will therefore be amortised over the remaining useful lives of 5 to 10 years.

During the year ended 31 March 2021, the Group has acquired copyrights of a series of animation characters through acquisition of a subsidiary, Flourishing Emerald Limited, at fair value of consideration of approximately HK\$46,364,000 with carrying amount of HK\$42,887,000 as at 31 March 2021. See Note 41 for details.

- (iii) Indoor theme park right represents the acquired intellectual property rights in the form of trademarks and know-how under a licensing agreement (the “**Licensing Agreement**”) with SEGA Corporation, a Japanese corporation. The term of the Licensing Agreement is 10 years from the date of the Licensing Agreement which is renewable subject to negotiation among the parties concerned.
- (iv) Exclusive distribution right represents the acquired virtual reality game machine and application worldwide exclusive distribution right from an independent third party. In accordance with the agreement, the exclusive distribution right has an indefinite useful life. The Directors are of the opinion that the useful life of the exclusive distribution right should be no more than 10 years based on the studies performed by the management of the Group on product life cycle, market, competitors and environmental trends.
- (v) The trademark acquired on acquisition of CA Sega Group under Trademark Licence Agreement (the “**Trademark Licence Agreement**”) with SEGA Holdings Co., Ltd. for a non-transferrable and non-exclusive right to use and sub-license the JOYPOLIS trademark for the establishment and operation of indoor theme parks with JOYPOLIS worldwide. The term of the Trademark Licence Agreement is 5 years from the date of the Trademark Licence Agreement which is renewable for another 5 years subject to negotiation among the parties concerned.
- (vi) For the year ended 31 March 2020, the additions of intangible assets of approximately HK\$223,964,000 was settled through assignment of the Group’s trade receivables (the “**Trade Receivables**”) to the sellers of the intangible assets through deed of assignment among the Group, the sellers of the intangible assets and the debtors. The acquisition costs of the intangible assets were determined by the fair value of the Trade Receivables assigned, which amounted to approximately HK\$223,964,000 and approximated their carrying amounts. In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Trade Receivables, and does not have any continuing involvement in the Trade Receivables. Accordingly, the Group has derecognised the carrying amounts of the Trade Receivables of approximately HK\$223,964,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 18. Intangible Assets (Continued)

### Impairment assessment

Film rights and applications with carrying amount of approximately HK\$157,018,000 and a shop design classified as Animation Characters with carrying amount of approximately HK\$44,550,000, with aggregate carrying amount of approximately HK\$201,568,000 as at 31 March 2021 are five identifiable assets which generate cash flows largely independent of the cash flows from other intangible assets in the multimedia media segment. Separate impairment assessments have been conducted for these intangible assets as there has been a delay in the execution of certain licensing agreements which caused modifications to the relevant discounted cash flows as at 31 March 2021. The recoverable amounts of the film rights and applications and the shop design as at 31 March 2021 have been determined by external valuation experts, AP Appraisal Limited, based on fair value less cost of disposal ("FVLCO"), by estimating the present value of expected future revenues and related cash flows arising from the licensing arrangements with various independent third parties, which were derived from discounting the projected cash flows using a discount rate of 18%. The discount rate adopted is by reference to weighted average cost of capital ("WACC") of comparable companies which are engaged in the similar business plus additional risk premium related to the intangible assets. The key assumptions included budgeted licensing income which is based on the licensing agreements obtained at the end of the reporting period. The discounted cash flow analysis used cash flow projections for a period of 5 years. Growth rate of 3% per annum is applied to extrapolate beyond the 5 year period, which is based on the average GDP growth rate in the PRC and does not exceed the long-term growth rate for the relevant industry.

The fair value less cost of disposal of the intangible assets is classified as level 3 measurement.

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the useful lives:

Film rights and applications	2–10 years
Animation characters	5 to 10 years
Indoor theme park right	10 years
Exclusive distribution right	10 years
Trademark	5 years

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 19. Interest in Associates

	2021 HK\$'000	2020 HK\$'000
Cost of unlisted investment	207,598	5,658
Share of post-acquisition profit/(loss) and other comprehensive income/(expense)	8,226	(537)
Exchange adjustments	–	(11)
	<b>215,824</b>	<b>5,110</b>

Details of the Group's material associates as at 31 March 2021 and 2020 are as follows:

Name of associate	Place of establishment	Principal place of business	Paid up registered capital	Proportion of equity interest held by the Group		Proportion of voting rights held by the Group		Principal activity
				2021	2020	2021	2020	
常州江南環球港華夏動漫科技有限公司 (Changzhou Southern Yangtze Global Harbor Chinese Animation Technology Co., Ltd) ("Changzhou Joypolis")	PRC	PRC	RMB25,000,000	20%	20%	20%	20%	Operation of indoor theme park
Triple Blessing	BVI	PRC	HK\$138,121,000	48%	–	48%	–	Development and licensing of IP rights
Lion Run	BVI	PRC	HK\$91,875,000	48%	–	48%	–	Development and licensing of IP rights
Access Profit Global Enterprises Group Limited ("Access Profit")	BVI	PRC	HK\$295,263,000	31%	–	31%	–	Development of logistic and storage business

Note:

The Group has 48% ownership interest and voting rights in Triple Blessing and Lion Run. By considering that the Group has no sufficiently dominant voting rights to direct the relevant activities of the investees unilaterally, the directors of the Company conclude that the Group only has significant influence over Triple Blessing and Lion Run and therefore they are classified as associates of the Group.

The summarised financial information in respect of the Group's material associates set out below is extracted from the respective associates' financial statements prepared in accordance with HKFRSs. All of these associates are accounted for using the equity method in these consolidated financial statements.

### (a) Changzhou Joypolis

	2021 HK\$'000	2020 HK\$'000
Non-current assets	37,574	9,539
Current assets	10,690	16,844
Current liabilities	(21,748)	(832)
Loss for the year	(1,157)	(1,483)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 19. Interest in Associates (Continued)

#### (a) Changzhou Joypolis (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2021 HK\$'000	2020 HK\$'000
Net assets of Changzhou Joypolis	26,516	25,551
Proportion of the Group's ownership interest in Changzhou Joypolis	20%	20%
Carrying amount of the Group's interest in Changzhou Joypolis	5,303	5,110

#### (b) Triple Blessing

	2021 HK\$'000
Non-current assets	134,668
Current assets	12,597
Current liabilities	–
Revenue for the year	13,000
Profit for the year	9,144
Other comprehensive income for the year	–
Total comprehensive income for the year	9,144

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2021 HK\$'000
Net assets of Triple Blessing	147,265
Proportion of the Group's ownership interest in Triple Blessing	48%
Carrying amount of the Group's interest in Triple Blessing	70,687

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 19. Interest in Associates (Continued)

#### (b) Triple Blessing (Continued)

On 25 September 2020, the Group acquired of 51% equity interest in Triple Blessing, out of which 3% was undertaken by the Group on the same date to hold for and on behalf of the vendor by a deed of undertaking, and, therefore, the Group only beneficially entitled to 48% equity interest. Triple Blessing held intellectual property (“IP”) intangible assets, which are IP rights of certain animation characters, at the acquisition date and the management of the Group concluded that the acquired set of activities and assets of Triple Blessing is not a business. The consideration is satisfied by the Convertible Notes issued by Aceso Life in principal amount of HK\$50,000,000 with zero interest held by the Group and classified as financial assets at FVTPL. The cost of acquisition of the Group’s interests in Triple Blessing was determined based on the fair value of the Convertible Notes in principal amount of HK\$50,000,000 at the acquisition completion date of approximately HK\$66,298,000, which were measured by an external independent valuer, Vincorn Consulting and Appraisal Limited (“Vincorn”). The fair values of the Convertible Notes were determined by Vincorn based on the Binomial Pricing model. The key inputs used in the model are time-to-maturity, underlying share price, conversion price, coupon rate, expected volatility, risk-free rate and expected dividend yield. The fair value measurements are categorised into level 3 fair value hierarchy.

#### (c) Access Profit

	2021 HK\$'000
Non-current assets	302,545
Current assets	51,617
Current liabilities	(60,018)
Non-current liabilities	–
Other income	3,524
Loss for the year	(1,119)
Other comprehensive loss for the year	–
Total comprehensive loss for the year	(1,119)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2021 HK\$'000
Net assets of Access Profit	294,144
Proportion of the Group’s ownership interest in Access Profit	31%
Carrying amount of the Group’s interest in Access Profit	91,185

On 3 September 2020, the Group entered into a sales and purchase agreement (“SP&A”) with the vendor of Access Profit, to acquire 31% equity interest in Access Profit, which indirectly wholly owned subsidiary holds a leasehold land in the PRC (“the Land”) at the acquisition date, at a consideration of HK\$94,000,000, which was satisfied by the issuance of bonds (“the Bonds”) at face value of HK\$94,000,000 with 10% coupon rate and maturity date in 2022. The directors consider the fair value of the Bonds to be equal to the principal amount of the Bonds. The Bonds were early redeemed on 7 and 8 September 2020, as disclosed in Note 21(i).

At the acquisition date, the Land is for future development for use in the logistic and storage business to be carried out by the investee and the management of the Group concluded that the acquired set of activities and assets of Access Profit and its subsidiaries do not constitute a business. The excess of the fair value of the consideration of HK\$94,000,000 and the Group’s share of net assets of Access Profit, amounting to approximately HK\$2,469,000, was recognized as other gain and losses in the consolidated profit or loss for the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 19. Interest in Associates (Continued)

### (c) Access Profit (Continued)

#### *Impairment assessment*

During the year ended 31 March 2021, as Access Profit has not commenced operation and incurred loss, the directors of the Company have performed impairment assessment on the investment in Access Profit. The recoverable amount of Access Profit has been determined by an independent professional valuer, AP Appraisal Limited (“**AP**”) based on fair value less costs of disposal (“**FVLCOD**”).

The FVLCOD of Access Profit is estimated by discounted cash flow approach. The post-tax discount rate uses for measuring the amount of FVLCOD is 16.5% per annum in relation to the associate. The discount rate adopted is by reference to WACC of comparable companies which are engaged in the similar business. As a result of the impairment assessment, no impairment loss had been recognized in respect of the investment in Access Profit.

The key assumptions for the FVLVOD calculation are those regarding the discount rate of 16.5%, 3% growth rate being applied for estimated selling prices, direct costs and expenses, and budgeted production plan of 10 years from 2023 to 2033, which is according to the legal life of the land use right. The discount rate had been determined based on the market comparables. The growth rate reflects the long-term growth rate for the country in which the associate operates. The budgeted production plan had been determined based on the management’s expectation for the market development and expected production capacity and storage volume of the warehouse for development of logistic business of the associate.

Apart from the considerations described above in determining the FVLCOD of the investment in Access Profit, the Group’s management is not currently aware of any other probable changes that would necessitate changes in these key assumptions. However, the estimate of recoverable amount of the Group’s investment in Access Profit is particularly sensitive to the discount rate applied.

The fair values less cost of disposal of the investment in Access Profit is classified as level 3 measurement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 19. Interest in Associates (Continued)

#### (d) Lion Run

	2021 HK\$'000
Non-current assets	90,344
Current assets	10,985
Current liabilities	–
Non-current liabilities	–
Revenue for the year	11,125
Profit for the year	9,454
Other comprehensive income for the year	–
Total comprehensive income for the year	9,454

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2021 HK\$'000
Net assets of Lion Run	101,329
Proportion of the Group's ownership interest in Lion Run	48%
Carrying amount of the Group's interest in Lion Run	48,638

On 8 December 2020, the Group completed the acquisition of 51% equity interest in Lion Run at consideration of HK\$44,100,000 which was satisfied by the Company's allotment and issuance of consideration bond (the "Consideration Bond") of principal amount HK\$44,100,000 with 10% coupon and maturity date in 2022, out of which 3% was undertaken by the Group on the same date to hold for and on behalf of the vendor by a deed of undertaking, and therefore, the Group only beneficially entitled to 48% equity interest. The Directors consider the fair value of the Consideration Bonds to be equal to the face value of the Consideration Bond. The Consideration Bonds are early redeemed within the same month of issuance and allotment, as explained below. Lion Run only held intangible assets at the acquisition date, which are IP rights of certain animation characters, and the management concluded that the acquired set of activities and assets is not a business.

Based on a supplementary agreement executed on 28 December 2020, the consideration is satisfied by the issue of 17,640,000 new ordinary shares of the Company of HK\$0.1 each at issue price of HK\$2.5 per share, which is also the fair value of the shares at acquisition date of Lion Run used for the cost of acquisition of the interests in Lion Run and representing an approximately 4.6% premium to the closing price of HK\$2.39 on the date of extinguishment of the Consideration Bond, to early redeem the consideration bond allotted and issued.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 20. Interest in a joint venture

	2021 HK\$'000	2020 HK\$'000
Cost of investment in a joint venture	100,120	100,120
Share of post-acquisition profits and other comprehensive income	8,709	–
	<b>108,829</b>	100,120

Details of the Group's joint venture as at 31 March 2021 and 2020 are as follows:

Name of joint venture	Place of establishment	Paid up registered capital	Proportion of equity interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2021	2020	2021	2020	
Success View Global Limited ("Success View")	BVI	USD25,770,100	50%	50%	50%	50%	Multimedia animation entertainment business

The summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts extracted from the joint venture's financial statements prepared under HKFRSs. The joint venture is accounted for using the equity method in these consolidated financial statements.

	2021 HK\$'000	2020 HK\$'000
<b>Success View</b>		
Current assets	27,484	1
Non-current assets	185,931	195,981
Current liabilities	(69)	(54)
Non-current liabilities	–	–
Revenue	54,967	–
Profit/(loss) for the year	17,419	(5,079)
Other comprehensive income for the year	–	–
Total comprehensive income for the year	17,419	(5,079)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2021 HK\$'000	2020 HK\$'000
Net assets of Success View	213,346	195,928
Proportion of the Group's ownership interest in Success View	50%	50%
Goodwill	2,156	2,156
Carrying amount of the Group's interest in Success View	<b>108,829</b>	100,120

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 21. Financial Assets at Fair Value through Other Comprehensive Income

	2021 HK\$'000	2020 HK\$'000
Equity securities listed in Hong Kong (i)	8,007	81,505
Unlisted equity investments (ii)	40,000	–
	<b>48,007</b>	81,505

- (i) The above listed equity investments represent ordinary shares of entities listed in Hong Kong. These investments are not held for trading, instead, they are held for long-term strategic purposes. The Directors have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

In June 2020, the Group has signed 2 forward contracts ("**the forward contracts**") with two separate independent third parties ("**the 2 Parties**") to sell 372,585,332 listed ordinary shares of Aceso Life ("**the Aceso shares**") held by the Group and which were classified as the Group's financial assets at FVTOCI to the 2 Parties, at the forward price of HK\$0.225 per share of Aceso in future date of 8 September 2020, regardless of the market value of the stock at the future date. Accordingly, the Group has recognised fair value loss of approximately HK\$65,202,000 through other comprehensive expense from the forward contracts. Please refer to Note 44(c) for the quantitative disclosure with regard to the fair value hedge.

Subsequent to the execution of the sales and purchase agreement ("**SP&A**") with regard to the acquisition ("**the acquisition**") of Access Profit Global Enterprises Limited ("**Access Profit**") and completion of the acquisition (see Note 19(c)), the vendor has transferred the consideration bonds of aggregate principal amount HK\$94,000,000 ("**the Bonds**") issued by the Group to the 2 Parties, and the Group has signed another bond redemption agreement with the 2 Parties to redeem the Bonds and settled the forward contracts on 7 September 2020 and 8 September 2020 by means of transferring the Aceso shares at forward price of HK\$0.225 (aggregate contracted value was approximately HK\$83,832,000), and Aceso Convertible Notes of aggregate principal amount of HK\$10,000,000 with zero coupon, which fair value was measured to be approximately HK\$15,652,000 on the date of redemption by an external independent valuer, Vincorn Consulting and Appraisal Limited, to the 2 parties. The Group has recognized loss of approximately HK\$5,483,000 upon redemption of the Bonds in the other gains and losses of the consolidated profit or loss for the year.

The fair value of the listed equity securities is based on their current bid prices in active markets, and therefore classified under level 1 of fair value hierarchy.

- (ii) In February 2021, the Group entered into and completed a subscription agreement pursuant to which the Group agreed to subscribe for shares of a limited partnership incorporated in the PRC (the "**Investment**"), as a limited partner, for an aggregate consideration of HK\$40,000,000, which was settled by transferring the Group's Aceso Life Convertible Note of aggregate principal amount of HK\$40,000,000 with zero coupon, which fair value was measured to be approximately HK\$40,000,000 on the date of subscription of the Investment by an external independent valuer, Vincorn Consulting and Appraisal Limited, to the vendor. The Group, as a limited partner in the Investment, does not have the power to participate in the financial and operating policy decisions of the Investment. As such, the Group does not have significant influence over the Investment. The shares of the Investment held by the Group represent 0.145% of the issued equity capital of the Investment as at 31 March 2021. The directors of the Company have elected to designate these investments in equity instrument at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding this investment for long term-purpose and realising their performance potential in the long run.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 22. Pledged and Restricted Bank Deposits

#### Pledged bank deposits

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. The pledged bank deposits carry interest at market rates ranging from 0.3% to 1.3% (2020: from 0.3% to 1.3%) per annum.

#### Restricted bank deposits

The balance as at 31 March 2021 represented the frozen bank deposits according to the civil ruling on 6 January 2020 issued by the People's Court of Putuo District, Shanghai, in relation to a litigation as disclosed in note 52. Such balance remained frozen up to the report date and carried prevailing market interest rate as at 31 March 2021.

### 23. Inventories

	2021 HK\$'000	2020 HK\$'000
Finished goods	861	798

The cost of inventories recognised as expense included approximately HK\$Nil (2020: HK\$80,000) in respect of write-down of inventories to net realisable value.

### 24. Trade Receivables

	2021 HK\$'000	2020 HK\$'000
Trade Receivables from contract with customers	236,496	99,475
Less: Allowance for credit losses	(10,253)	(17,076)
	<b>226,243</b>	82,399

As at 1 April 2019, the trade receivables from contracts with customers amounted to approximately HK\$299,264,000.

The Group generally allows a credit period ranging from 30 days to 90 days to its customers of sales of animation derivative products except certain customers with strategic business relationship which are granted a longer credit period of 180 days.

For customers of licensing income, the Group allows a credit period ranging from 90 to 365 days.

The Group allows a credit period of 365 days to its customer with strategic business relationship who obtained theme park design and consultancy services from the Group.

The following is an aged analysis of trade receivables presented based on the invoice dates:

	2021 HK\$'000	2020 HK\$'000
0 to 90 days	33,748	27,055
91 to 180 days	121,289	5,961
181 to 365 days	66,240	42,801
Over 365 days	4,966	6,582
	<b>226,243</b>	82,399

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 24. Trade Receivables (Continued)

Included in trade receivables aged within 91 to 180 days and 181 to 365 days are the receivable balances of approximately HK\$117,000,000 (2020: HK\$Nil) and HK\$39,400,000 (2020: HK\$Nil) respectively, which arose from the revenue generated from provision of integrated theme park design services and the licensing fee for use of the Group's intangible assets to two customers of the Group who are business partners with renowned property developers in the PRC. For provision of integrated theme park design services, billings were made after the delivery of reporting package. Regarding the licensing fee income, billings were made periodically during the license period.

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by each customer. Limits attributed to customers are reviewed once a year.

Included in the Group's trade receivables are receivables with the following carrying amounts which are past due at the end of each reporting period for which the Group has not provided for impairment loss as there has not been a significant change in the credit quality and the settlements after the end of the reporting period from those debtors are satisfactory. The Group does not hold any collateral over these balances. Ageing of trade receivables which are past due but not impaired, aged based on past due dates, is as follows:

	2021 HK\$'000	2020 HK\$'000
0 to 90 days	13,472	37,604
91 to 180 days	8,212	8,696
181 to 365 days	8,977	3,122
	<b>30,661</b>	49,422

The Group's trade receivables that are denominated in currencies other than the functional currencies of the respective group entities are set out below:

	2021 HK\$'000	2020 HK\$'000
United States Dollars ("US\$")	29,097	53,358

Details of impairment assessment are set out in note 44(b).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 25. Deposit for acquisition of property, plant and equipment/Other receivables, deposits and prepayments

#### Non-current assets:

	Note	2021 HK\$'000	2020 HK\$'000
Deposits for acquisition of property, plant and equipment	(i)	370,619	379,756

Note:

- (i) Included in the balance of deposits for acquisition of property, plant and equipment is advance payment made to various construction vendors who are independent third parties for interior design works, fire safety facilities and playground facilities for future construction of "Wonder Forest" and "Joypolis" indoor theme parks in the PRC. The construction contracts were still valid as at 31 March 2021 with expiry dates in 2022 to 2023.

#### Current assets:

	Note	2021 HK\$'000	2020 HK\$'000
Proceeds receivable from disposal of intangible assets		176,536	185,827
Rental deposit		5,558	6,404
VAT recoverable		3,220	476
Deposits refundable from a game developer		25,113	25,759
Other receivables		7,013	6,140
Proceeds receivable from disposal of property, plant and equipment		138,879	66,129
Prepayments	(i)	84,180	47,665
Amounts due from associates		69	–
Interest receivable		6	1,241
Deposit paid		347	556
		440,921	340,197
Less: Allowance for credit loss		(5,896)	(4,300)
		435,025	335,897

Note:

- (i) As at 31 March 2021, included in the balance of prepayments is a prepayment for purchase of animation derivative products made to the main supplier of the Group, amounting to approximately HK\$34,000,000 (2020: HK\$38,000,000), prepayments to various vendors of interior design and suppliers of indoor theme park facilities for reselling to the customers amounting to approximately HK\$23,217,000 (2020: HK\$Nil), and prepayments of commission to a bond placement agency, amounting to approximately HK\$20,560,000 (2020: HK\$Nil).

### 26. Amount Due to a Director

	2021 HK\$'000	2020 HK\$'000
Chong Heung Chung, Jason	562	897

The amount is unsecured, interest-free and repayable on demand.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 27. Financial Assets at Fair Value Through Profit or Loss

	2021 HK\$'000	2020 HK\$'000
Convertible Notes (Note i)	–	84,120
Structured deposits (Note ii)	805	742
	<b>805</b>	<b>84,862</b>
	2021 HK\$'000	2020 HK\$'000
Analysed for reporting purposes as:		
Current assets	805	742
Non-current assets	–	84,120
	<b>805</b>	<b>84,862</b>

Notes:

- (i) As disclosed in Note 42, the Convertible Notes in principal amount of HK\$100,000,000 with zero interest were issued on 5 March 2020 by Aceso Life, and will mature on 5 March 2023 (the “Convertible Notes”).

The Convertible Notes are convertible into 400,000,000 ordinary shares of Aceso Life at conversion price at HK\$0.25 per Conversion Share of Aceso Life at any time between the date of issue of the Convertible Notes and the maturity date. The Convertible Notes are measured at fair value by an external independent valuer, Stirling Appraisals Limited, using the Hull-White Binominal Model, which is a financial modeling technique commonly adopted in valuation of Convertible Notes, at 31 March 2020. The fair value measurement is classified as level 3 of the fair value hierarchy. Details of fair value measurements are set out in Note 44(b).

As disclosed in Notes 19(b), 21(i) and (ii), the Convertible Notes are satisfied as considerations for acquisition of associates, an unlisted equity investment and redemption of the Bonds issued for acquisition of Access Profit during the year ended 31 March 2021. The Convertible Notes are revalued at the completion date of the acquisitions of the Associates, an unlisted investment and redemption of bonds before derecognition. The fair value gain of approximately HK\$37,830,000 is recognised in “other gains and loss” in the consolidated profit or loss during the year ended 31 March 2021 (note 7).

- (ii) The structured deposits are wealth management products issued by a bank in Mainland China and are classified as financial assets at fair value through profit or loss at 31 March 2021 and 2020 as their contractual cash flows are not solely payments of principal and interest. The Group uses structured deposits primarily to enhance the return on investment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 28. Bank Balances and Cash

Bank balances carry interest at market rates ranging from 0.0001% to 2.7% (2020: from 0.001% to 0.3%) per annum.

Bank balances and cash that are denominated in currencies other than the functional currencies of the respective group entities are set out below:

	2021 HK\$'000	2020 HK\$'000
RMB	3,625	15
US\$	38	3,409
JPY	107	244

For the years ended 31 March 2021 and 2020, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

### 29. Trade Payables

	2021 HK\$'000	2020 HK\$'000
Trade payables	1,367	8,213

The average credit period on purchases of goods is 30 days. The following is an aged analysis of trade payables presented based on the invoice dates at the end of the reporting period:

	2021 HK\$'000	2020 HK\$'000
0 to 30 days	1,150	7,996
Over 90 days	217	217
	1,367	8,213

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 30. Other Payables and Accruals

	Note	2021 HK\$'000	2020 HK\$'000
<b>Current portion</b>			
Other payables and accruals	(ii)	47,504	24,704
Payable for acquisition of plant and equipment		5,016	4,698
Interest payables		28,373	13,751
Salaries payables		3,904	4,798
Other tax payables		9,611	8,395
		<b>94,408</b>	<b>56,346</b>
<b>Non-Current portion</b>			
Advance received	(i)	–	60,043
Other payables and accruals		595	1,115
		<b>595</b>	<b>61,158</b>

Notes:

- (i) As at 31 March 2020, the balance represented an advance received from a business partner for carrying out a project, which commencement date was more than one year after the end of the reporting period. During the year ended 31 March 2021, the balance has been reclassified to contract liability due to modification of arrangement with the business partner and change in business plan of the Group.
- (ii) Included in the balance of other payables and accruals is an amount of approximately HK\$6,657,000 (2020: HK\$Nil), HK\$5,360,000 (2020: HK\$Nil) and HK\$5,008,000 (2020: HK\$27,000) payable to the Japanese local government for social security, rent payable to a landlord and commission payable to bond placement agencies respectively.

## 31. Contract liabilities

	Note	2021 HK\$'000	2020 HK\$'000
<b>Current portion</b>			
Sales of animation derivative products		2,740	2,397
Sales of admission tickets and licensing income of indoor theme parks		4,876	22,582
Sales of theme park machineries and provision of renovation work	(i)	77,387	–
		<b>85,003</b>	<b>24,979</b>
<b>Non-current portion</b>			
Provision of licence for indoor theme parks	(ii)	40,222	–
Total contract liabilities		<b>125,225</b>	<b>24,979</b>

Notes:

- (i) Contract liabilities represent the deposit amounts received from customers at the requests of the Group when they place confirmed orders.
- (ii) It represents the upfront license fee received from the franchisees for the franchisees using the Group's brand to operate indoor theme parks, which will be recognised as revenue more than one year after the end of the reporting period when the indoor theme parks commence operation.

### Movements in contract liabilities

	2021 HK\$'000	2020 HK\$'000
Balance at 1 April	24,979	26,590
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(6,637)	(26,590)
Increase in contract liabilities as a result of billings in advance from customers	106,883	24,979
	<b>125,225</b>	<b>24,979</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 32. Provision for Reinstatement Costs for Rented Premises

	2021 HK\$'000	2020 HK\$'000
At 1 April	32,389	31,945
Provision recognised	159	159
Exchange adjustment	(568)	285
At 31 March	31,980	32,389
	2021 HK\$'000	2020 HK\$'000
Provision for reinstatement costs for rented premises		
Analysed for reporting purpose as:		
Current liabilities	–	–
Non-current liabilities	31,980	32,389
	31,980	32,389

Under the terms of the rental agreements signed with landlords, the Group should remove and re-instate the rented premises at the Group's cost upon expiry of the relevant rental agreements. Provision is therefore made for the best estimate of the expected reinstatement costs to be incurred.

### 33. Guaranteed Note

On 27 September 2017, the Company issued HK\$200,000,000 of 7.5% secured guaranteed note (the "Guaranteed Note"), which was originally matured on 27 September 2018. During the year ended 31 March 2018, the Company repaid principal amount of HK\$60,000,000. The outstanding principal of HK\$140,000,000 has renewed maturity on 26 September 2019 and coupon rate of 9.5%. The interest on the Guaranteed Note is payable semi-annually in arrears and the note is denominated in HK\$. During the year ended 31 March 2020, the Company repaid principal amount of HK\$40,000,000 before the original maturity date, and the outstanding principal of HK\$100,000,000 was granted a further extension of maturity date by the purchaser to 26 September 2020, with a revised coupon rate of 10.5%. During the year ended 31 March 2021, the Company repaid principal amount of HK\$20,000,000 and the outstanding principal of HK\$80,000,000 was granted a further extension of maturity date by the subscriber to 25 September 2021, with a revised coupon rate of 8.5%. In the opinion of the directors of the Company, such revisions do not represent a substantial modification of the original Guarantee Note and accordingly, the effective interest rate, has been adjusted at the date of modification.

The Guaranteed Note is secured by the Company's shares held by the Controlling Shareholder of the Company and guaranteed by the Controlling Shareholder of the Company. The proceeds were utilised for general corporate purpose and other investment opportunities.

### 34. Lease liabilities

	2021 HK\$'000	2020 HK\$'000
Lease liabilities payable:		
Within one year	36,426	34,468
Within a period of more than one year but not more than two years	34,861	31,066
Within a period of more than two years but not more than five years	83,790	97,183
More than five years	–	8,464
	155,077	171,181
Less: Amount due for settlement with 12 months shown under current liabilities	(36,426)	(34,468)
Amount due for settlement after 12 months shown under non-current liabilities	118,651	136,713

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 35. Bank and Other Borrowings

		2021 HK\$'000	2020 HK\$'000
Bank borrowings	(i)	87,980	37,036
Other borrowings	(ii)	14,037	14,287
		<b>102,017</b>	51,323
<b>(i) Bank borrowings</b>			
The carrying amounts of bank borrowings are repayable:			
Within one year		21,353	12,381
Within a period of more than one year but not exceeding two years		11,094	5,238
Within a period of more than two years but not exceeding five years		24,111	8,413
Within a period of more than five years		31,422	–
		<b>87,980</b>	26,032
Carrying amount of bank borrowing that contain a repayment on demand clause (shown under current liabilities)		–	11,004
		<b>87,980</b>	37,036
Less: Amount due within one year shown under current liabilities		<b>(21,353)</b>	(23,385)
		<b>66,627</b>	13,651
<b>(ii) Other borrowings</b>			
Within one year		–	–
Within a period of more than one year but not exceeding two years		–	–
Within a period of more than two years but not exceeding five years		14,037	14,287
Bank and other borrowings shown under non-current liabilities		<b>80,664</b>	27,938

The ranges of effective interest rates on the Group's borrowings are as follows:

	2021	2020
Fixed-rate borrowings	1.07% to 5.07%	1.07% to 4.17%

Included in the bank borrowings balance as at 31 March 2021 are secured bank borrowings of approximately HK\$Nil (2020: HK\$11,004,000) which were secured by pledged bank deposits and approximately HK\$10,303,000 (2020: HK\$Nil) were secured by a property jointly owned by Mr. CHONG Heung Chung Jason and his spouse.

The other borrowings balance as at 31 March 2021 and 2020 is secured by the long-term rental deposits.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 36. Bonds

During the year ended 31 March 2021, the Company issued bonds at par in an aggregate principal amount of HK\$72,900,000 (2020: HK\$116,700,000). The bonds outstanding as at 31 March 2021 are denominated in HK\$ and are unlisted. The bonds are unsecured and carry interest at nominal rates ranging from 5.5% to 9% (2020: 6% to 8.67%) per annum, payable annual/semi-annual/monthly in arrears and will be matured within 0.5 to 4 years (2020: 0.5 to 5.5 years).

The proceeds from issuance of the bonds were utilised for development of the indoor theme park business and general working capital of the Group.

### 37. Deferred Tax Liabilities

The followings are the deferred tax liabilities recognised and movement thereon during the current and prior years:

	Fair value adjustment on business combination HK\$'000
At 1 April 2019	3,602
Credit to profit or loss	(1,320)
Exchange difference	58
At 31 March 2020	2,340
Credit to profit or loss	(1,314)
Exchange difference	(116)
At 31 March 2021	910

The Group had unused tax losses of approximately HK\$493,707,000 at 31 March 2021 (2020: HK\$429,413,000), which is available for offset against future profits. No deferred tax asset has been recognised due to unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$195,276,000 (2020: HK\$176,997,000) under PRC Corporate tax that will expire between 2021 and 2026 (2020: between 2020 and 2025) and unrecognised tax losses under Japan Corporate tax of HK\$276,684,000 (2020: HK\$232,660,000) that will expire between 2025 and 2028 (2020: between 2025 and 2028). Other losses may be carried forward indefinitely.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 38. Retirement Benefit Obligations

### Defined benefit plans

The Group sponsors a funded defined benefit plan for all qualifying employees of its subsidiary in Japan.

The plan in the Japan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.
Interest rate risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 March 2021 by Willis Towers Watson, Fellow of the Institute of Actuaries in Japan. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2021	2020
Discount rate	1.2%	0.6%
Rate for salary increase	Salary index	Salary index
Pension increases for deferred benefits	5.5%	5.50%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 38. Retirement Benefit Obligations (Continued)

#### Defined benefit plans (Continued)

The actuarial valuation showed that the market value of plan assets was HK\$38,323,000 (2020: HK\$35,919,000).

However, as the Group is not entitled to unconditional right of refund on the defined benefit plan, the Group does not recognise retirement benefit assets from the defined benefit plan based on the excess of market value of plan assets measured by Willis Towers Watson over the defined benefit obligation and the effect of the asset ceiling is accounted for as remeasurement of the defined benefit obligation.

Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows.

	2021 HK\$'000	2020 HK\$'000
Service cost:		
Current service cost	2,001	3,010
Net interest expense	(9)	(6)
Components of defined benefits costs recognised in profit or loss	1,992	3,004
Remeasurement on the net defined benefit liabilities:		
Loss/(return) on plan assets (excluding amounts included in net interest expense and including the effect of asset ceiling)	2,610	(89)
Actuarial (gain)/loss arising from experience adjustments	(1,486)	1,579
Components of deferred benefit cost recognised in other comprehensive income	1,124	1,490
Total	3,116	4,494

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	2021 HK\$'000	2020 HK\$'000
Present value of funded defined benefit obligations	38,323	35,981
Fair value of plan assets	(38,323)	(35,919)
Defined benefit obligation	–	62

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 38. Retirement Benefit Obligations (Continued)

### Defined benefit plans (Continued)

Movements in the present value of the defined benefit obligations in the current year were as follows:

	2021 HK\$'000	2020 HK\$'000
Defined benefit obligation at 1 April	35,981	32,488
Current service cost	2,001	3,011
Interest cost	208	267
Remeasurement losses/(gains):		
Actuarial gains arising from change in financial assumptions	(3,050)	(89)
Effect of asset ceiling (Note 1)	5,660	–
Benefits paid	(1,871)	–
Exchange differences on foreign plan	(606)	304
Defined benefit obligation at 31 March	38,323	35,981

Note:

- As the Group is not entitled to an unconditional refund of surplus or reduction of future contribution, the defined benefit obligations are remeasured to account for the effect of asset ceiling and charged immediately to the other comprehensive income.

Movements in the present value of the plan assets in the current year were as follows:

	2021 HK\$'000	2020 HK\$'000
Fair value of plan assets at 1 April	35,919	32,296
Interest income	217	273
Remeasurement gains		
Return/(loss) on plan assets (excluding amounts included in net interest expense)	1,486	(1,579)
Contributions from the employers	3,177	4,626
Exchange differences on foreign plans	(605)	303
Benefits paid	(1,871)	–
Fair value of plan assets at 31 March	38,323	35,919

### Defined contribution plans

The Group operates a Mandatory Provident Fund Scheme (the “Scheme”) for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group, in funds under control of a trustee. The Group contributes the lower of 5% of relevant payroll costs or HK\$1,500 per person to the Scheme, which is matched by employees.

The employees of the Group in the PRC are members of state-managed retirement benefit scheme operated by the PRC government. The Company’s subsidiaries are required to contribute a certain percentage of payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme.

Contributions to the schemes for the year ended 31 March 2021 made by the Group amounted to HK\$10,045,000 (2020: HK\$11,286,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 39. Obligation Arising from a Put Option to a Non-Controlling Interest and Put Option Derivatives

On 31 December 2016, China Theme Park Limited (“CTP”), a wholly-owned subsidiary of the Company, entered into a shareholders agreement with the non-controlling interest of CA Sega Joypolis Limited (“CA Sega”), namely Sega Sammy Holdings Inc. (“Sega Sammy”), pursuant to which CTP granted a put option to Sega Sammy for the rights to oblige the Group, to purchase the remaining 14.9% equity interest of CA Sega.

The put option is exercisable by Sega Sammy from the third anniversary of the completion date of the acquisition of subsidiaries, being 1 January 2017 (“Completion Date”), until the date immediately before the fifth anniversary of the Completion Date at a put price of Japanese yen (“JPY”) 105,052,748 (equivalent to approximately HK\$7.44 million) or the put option is exercisable from the fifth anniversary of the Completion Date until the date immediately before the sixth anniversary of the Completion Date at a put price of JPY210,105,496 (equivalent to approximately HK\$14.88 million).

At initial recognition, the gross obligation arising from a put option to a non-controlling interest is measured at present value of the estimated repurchase price at an applicable discount rate. This amount had been recognised in the consolidated statement of financial position with a corresponding debit to the non-controlling interest at 31 March 2017.

In addition, the put option which will be settled other than by exchange of fixed amount of cash for a fixed number of shares of a subsidiary is treated as derivative financial instruments and is recognised at fair value in accordance with HKAS 39 Financial Instruments: Recognition and Measurement.

The fair value of the put option derivatives of CA Sega Group as at 31 March 2021 and 31 March 2020 has been determined by using a Binominal Option Pricing Model, performed by Vision Appraisal and Consulting Limited, an external independent valuer, which used the exercise price, risk free rate, exercise period, unaudited consolidated net asset value and cash flow forecast of CA Sega Group, adjustment to future stock price and volatility as key inputs.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 39. Obligation Arising from a Put Option to a Non-Controlling Interest and Put Option Derivatives (Continued)

The movements of the obligation arising from a put option to non-controlling interests and put option derivative are set as below:

	Obligation arising from a put option HK\$'000	Put option derivative HK\$'000	Total HK\$'000
At 1 April 2019	7,507	440	7,947
Fair value change	–	–	–
At 31 March 2020	7,507	440	7,947
Fair value change	(4,442)	1,077	(3,365)
At 31 March 2021	3,065	1,517	4,582

Net gain of approximately HK\$3,365,000 (2020: net loss of HK\$Nil) was recognised in other gains and losses of the consolidated profit or loss for the year ended 31 March 2021.

Key inputs used in the model	2021	2020
Risk-free rate (note i)	–0.13%	–0.14%
Time to expiration (note ii)	1.8 years	2.8 years
Volatility (note iii)	40.0%	38.9%
Fair value of underlying shares	JPY166,460,000	JPY109,098,000

Notes:

- (i) The risk-free rate is with reference to the yields of Japan Sovereign Curve as at the valuation date.
- (ii) Time to expiration represents the duration to maturity date which is the date immediately before the sixth anniversary of the Completion Date.
- (iii) Volatility is based on the average of the implied volatility of the daily return of comparable stock for 1.8 years (2020: 2.8 years).

### 40. Share Capital

	Number of shares of HK\$0.1 each	Share capital HK\$'000
Authorised:		
At 1 April 2019, 31 March 2020 and 31 March 2021	5,000,000,000	500,000
Issued and fully paid:		
At 1 April 2019 and 31 March 2020	920,062,000	92,006
Issue of shares upon acquisition of subsidiary (Note 41)	44,000,000	4,400
Extinguishment of financial liabilities by issue of ordinary shares (Note 19d)	17,640,000	1,764
	981,702,000	98,170

Note: All the shares issued ranked pari passu in all respects with the then existing shares in issue.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 41. Acquisition of Assets and Liabilities through Acquisition of a Subsidiary

On 23 April 2020, the Company entered into the sale and purchase agreement (the “S&P Agreement”), as amended by a supplemental S&P Agreement dated 16 June 2020, respectively with Mr. Liu Zhongsheng (the “Vendor”) and Flourishing Emerald Limited (the “Flourishing Emerald”) in respect of the acquisition of Flourishing Emerald, pursuant to which the Company conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the entire issued share capital of Flourishing Emerald.

On 22 June 2020, the acquisition was completed as the conditions precedent to the completion had been fulfilled on 19 June 2020. The consideration is satisfied by the issue of 44,000,000 shares of the Company (the “Consideration Shares”). The fair value of the Consideration Shares on 19 June 2020, when the conditions precedents were met, is amounted to HK\$105,600,000. The fair value of the Consideration Shares was determined by reference to the published closing price of HK\$2.4 at the date of the conditions precedents were met.

Flourishing Emerald is principally engaged in investment holding and through certain VIE arrangements, Flourishing Emerald has effective control over and beneficially entitled to the entire interest of 深圳市華利達玩具禮品有限公司 (“深圳華利達”), Flourishing Emerald and 深圳華利達 are collectively referred to as the “Flourishing Emerald Group”). Immediately before the date of acquisition, 深圳華利達 only held certain intangible assets and property, plant and equipment, and the management of the Group concluded that the acquired set of activities and assets do not constitute a business.

The identifiable assets of the acquiree acquired and liabilities assumed as at the date of acquisition, which were determined based on the fair value of the equity instruments granted, were as follows:

	HK\$'000
<b>Net assets acquired:</b>	
Property, plant and equipment	27,326
Trade and other receivables	31,910
Intangible assets	46,364
<b>Total identifiable net assets at fair value</b>	<b>105,600</b>
Consideration	105,600
Less: Fair value of net assets acquired	(105,600)
<b>Total purchase consideration satisfied by:</b>	
Issuance of new shares at fair value	105,600
<b>Net cash inflow arising on acquisition</b>	
Cash consideration	–
Cash and cash equivalents acquired	–
	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 42. Disposal of a subsidiary

On 5 March 2020, China Animation Holding (BVI) Limited (the “**Seller**”), a wholly-owned subsidiary of the Company, disposed of 50% of the equity interest in a subsidiary, Success View Global Limited (“**Success View**”), to an independent third party (the “**Purchaser**”) at a consideration of HK\$100,000,000. The consideration is satisfied by convertible notes (the “**Convertible Notes**”) issued by Hao Tian Development Group Limited (“**Hao Tian Development**”), a company listed on the Main Board of the Stock Exchange. The Purchaser is a wholly-owned subsidiary of Hao Tian Development. The Seller and the Company were interested in approximately 6.12% of the issued share capital of Hao Tian Development prior to the date of the disposal. If the conversion rights attached to the Convertible Notes are exercised in full by the Group, a maximum of 400,000,000 ordinary shares of Hao Tian Development will be allotted and issued, which represents approximately 6.16% of its issued share capital of Hao Tian Development as enlarged by the conversion of ordinary shares. To the best of the Board’s knowledge, information and belief, save as the equity interest, the Purchaser and Hao Tian Development and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

Upon completion of the disposal, the Company’s effective interest in Success View reduced from 100% to 50%. The Purchaser and the Seller had entered into a shareholders’ agreement whereby it is contractually agreed that decisions about the relevant activities of Success View require the unanimous consent of the Seller and the Purchaser. Therefore, Success View is regarded as a joint venture of the Group (see Note 20).

For details, please refer to the Company’s announcement dated 5 March 2020.

Success View was newly incorporated on 18 September 2019 and would principally engage in multimedia animation entertainment business, with primary focus on the development of licensing business. The subsidiary disposed of had not yet commenced operations and hence the disposal had no significant impact on the turnover and results of the Group for the year ended 31 March 2020. The net assets of Success View as at the date of disposal were as follows:

	HK\$’000
<b>Net assets disposed of</b>	
Intangible assets	22,340
Amount due to a related party	(53)
	<hr/> 22,287
Fair value of the equity interest retained in Success View	(100,120)
Gain on disposal of a subsidiary	(161,953)
	<hr/>
<b>Total consideration satisfied by:</b>	
Convertible Notes received (Note)	84,120
	<hr/>
Net cash outflow arising on disposal	–
	<hr/>

Note: The fair value of the Convertible Notes at the completion date is determined by reference to the valuation carried out by external independent valuer. Details of fair value measurements are set out in Note 44(b).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 43. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which include the bank and other borrowings, guaranteed note, bonds and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. The management of the Group will balance its overall capital structure through the payment of dividends and the issue of new shares as well as the issue of new debts or the redemption of existing debts.

The Group is not subject to any externally imposed capital requirements.

### 44. Financial Instruments

#### a. Categories of financial instruments

	2021 HK\$'000	2020 HK\$'000
<b>Financial assets</b>		
Financial assets at amortised costs	641,188	456,460
Financial assets at FVTPL	805	84,862
Financial assets at FVTOCI	48,007	81,505
	<b>690,000</b>	622,827
<b>Financial liabilities</b>		
Financial liabilities at amortised cost	780,668	766,336
Financial liabilities at FVTPL	1,517	440
	<b>782,185</b>	766,776

## 44. Financial Instruments (Continued)

### b. Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, financial assets at FVTOCI, trade receivables, other receivables and deposits, restricted bank balances, pledged bank deposits, bank balances and cash, trade payables, other payables and accruals, amount due to a director, guaranteed note, bonds, bank and other borrowings, lease liabilities, obligation arising from a put option to a non-controlling interest and put option derivatives. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments include market risks (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effectively manner.

#### *Market risk*

##### (i) Currency risk

The carrying amounts of the foreign currency denominated monetary assets and liabilities of the group entities are mainly bank balances and cash, pledged bank deposits, trade payables, secured bank borrowings, obligation arising from a put option to a non-controlling interest and put option derivatives at the reporting date. The directors of the Company consider the Group's exposure to US\$ currency risk is minimal since HK\$ is pegged to US\$. The directors of the Company consider that the Group's exposure on other foreign currency risk is insignificant, accordingly no sensitivity analysis has been presented. The management of the Group continuously monitors the foreign exchange exposure and will consider hedging foreign currency risk should the need arise.

##### (ii) Interest rate risk

The Group's cash flow interest rate risk and fair value interest rate risk relate primarily to its floating-rate bank balances, fixed-rate bank and other borrowings, guaranteed note, obligation arising from a put option to a non-controlling interest, lease liabilities and bonds respectively. The Group has not used any interest rate swaps to mitigate its exposure associated with transactions relating to cash flows interest rate risk. However, the management of the Group will consider hedging significant interest rate exposure should the need arise. In the opinion of management of the Group, the effects of expected changes in interest rates on bank balances will not be significant in the near future, hence, sensitivity analysis is not presented.

##### (iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities, unlisted equity investments and convertible notes classified as FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating in two industry sectors quoted in the Stock Exchange.

#### Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks on quoted and unlisted equity investments at the reporting date:

If the prices of the respective quoted equity instruments had been 10% (2020: 10%) higher/lower:

- investments revaluation reserve would increase/decrease by approximately HK\$801,000 (2020: HK\$8,151,000) as a result of the changes in the fair value of financial assets at FVTOCI.

If the prices of the respective unlisted equity instruments had been 10% (2020: 10%) higher/lower:

- investments revaluation reserve would increase/decrease by approximately HK\$4,000,000 (2020: HK\$Nil) as a result of the changes in the fair value of financial assets at FVTOCI.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 44. Financial Instruments (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *Credit risk and impairment assessment*

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, other receivables, deposits, amount due from a joint venture, pledged bank deposits, restricted bank balances and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

#### *Trade receivables*

The Group had certain credit risk as 52% (2020: 58%) and 90% (2020: 77%) of the total trade receivables as at 31 March 2021 were due from the Group's largest customer and the five largest customers respectively, which arose in the establishment and operation of indoor theme parks segment and sales of animation derivative products business segment. Management considered the credit risk is limited since the Group trades only with customers with an appropriate credit history and good reputation. The management monitored the financial background and credibility of these debtors on ongoing basis.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally allows a credit period ranging from 30 days to 90 days to its customers of sales of animation derivative products except certain customers with strategic business relationship which are granted a longer credit period of 180 days. For customers which obtained licensing services from the Group, the Group allows a credit period ranging from 90 to 365 days. The Group allows a credit period of 365 days to its customer with strategic business relationship who obtained these park design and consultancy services from the Group. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by each customer. Limits attributed to customers are reviewed once a year.

The Group also performs impairment assessment under ECL model on trade receivables individually or based on provision matrix. Except for items that are subject to individual evaluation, which are assessed for impairment individually, the remaining trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure. Reversal of impairment of approximately HK\$6,823,000 (2020: Provision for impairment of approximately HK\$13,671,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

#### *Pledged bank deposits, restricted bank balances and bank balances*

The credit risk of the Group on liquid funds is limited because the majority of the counterparties are international banks and state-owned banks with good reputation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 44. Financial Instruments (Continued)

### b. Financial risk management objectives and policies (Continued)

#### Credit risk and impairment assessment (Continued)

##### Deposits and other receivables

The credit risk on deposits and other receivables is also limited because of the historical settlement record, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2021 and 2020. The amounts presented are the gross carrying amounts for financial assets.

2021	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK\$'000
<b>Financial assets at amortised costs</b>				
Pledged bank deposits	22	N/A	12-month ECL	3,565
Bank balances and cash	28	N/A	12-month ECL	56,012
Restricted bank balances	22	N/A	12-month ECL	4,523
Trade receivables	24	(note i)	Lifetime ECL	236,496
Other receivables and deposits	25	Normal (note ii)	12-month ECL	203,639
	25	Doubtful (note ii)	Lifetime ECL	153,102
2020	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK\$'000
<b>Financial assets at amortised costs</b>				
Pledged bank deposits	22	N/A	12-month ECL	15,069
Bank balances and cash	28	N/A	12-month ECL	52,800
Trade receivables	24	(note i)	Lifetime ECL	99,475
Other receivables and deposits	25	(note ii)	12-month ECL	292,533

Notes:

- (i) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for items that are subject to individual evaluation, which are assessed for impairment individually, the Group determines the ECL on these items by past due status.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 44. Financial Instruments (Continued)

### b. Financial risk management objectives and policies (Continued)

#### Credit risk and impairment assessment (Continued)

#### Deposits and other receivables (Continued)

Notes: (Continued)

- (ii) The credit quality of the financial assets included in deposits and other receivables is considered to be “normal” when they are not past due or past due within 30 days and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered as “doubtful”.

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Average loss rate %	Not past due or past due below 30 days HK\$'000	Average loss rate %	More than 30 days past due HK\$'000	Total HK\$'000
<b>At 31 March 2021</b>					
Other receivables and deposits	0.90	203,639	2.65	153,102	356,741
<b>At 31 March 2020</b>					
Other receivables and deposits	1.47	292,533	N/A	–	292,533

As part of the Group’s credit risk management, the Group uses debtors’ aging to assess the impairment for its customers because these customers have common risk characteristics that are representative of the customers’ abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit-impaired).

Gross carrying amount	2021		2020	
	Average loss rate	Trade receivables	Average loss rate	Trade receivables
Current (not past due)	0%	195,582	0.3%	33,066
Within 90 days past due	1.26%	13,643	0.7%	37,885
91 days to 180 days past due	2.98%	8,465	33%	12,992
181 days to 365 days past due	50%	17,954	51%	6,359
Over 365 days past due	100%	852	100%	9,173
		<b>236,496</b>		<b>99,475</b>

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 March 2021, the Group provided approximately HK\$10,253,000 (2020: HK\$17,076,000) impairment allowance for trade receivables, based on the provision matrix.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 44. Financial Instruments (Continued)

#### b. Financial risk management objectives and policies (Continued)

##### Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL HK\$'000
As at 1 April 2019	3,405
Impairment losses recognised	13,671
As at 31 March 2020	17,076
Reversal of impairment losses	(6,823)
As at 31 March 2021	<b>10,253</b>

Changes in the loss allowance for trade receivables are mainly due to:

	2021 HK\$'000	2020 HK\$'000
Increase in days past due between 181 days to 365 days resulted in an increase in loss allowance	5,740	–
Increase in days past due between 91 and 180 days resulted in an increase in loss allowance	–	13,671
Reduction in balance past due over 365 days resulted in a drop in loss allowance	(8,320)	–
Changes in average loss rates	(4,243)	–
	<b>(6,823)</b>	13,671

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	12-month ECL (normal) HK\$'000	Lifetime ECL (doubtful) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
As at 1 April 2019	–	–	7,209	7,209
Written off	–	–	(7,209)	(7,209)
Impairment losses recognised	4,300	–	–	4,300
As at 31 March 2020	4,300	–	–	4,300
(Reversal of)/provision for impairment losses recognised	(2,463)	4,059	–	1,596
As at 31 March 2021	1,837	4,059	–	5,896

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 44. Financial Instruments (Continued)

### b. Financial risk management objectives and policies (Continued)

#### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and guaranteed note and ensures compliance with covenants of loan and guaranteed note.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The table includes both interest, if applicable, and principal cash flows.

	Weighted average effective interest rate %	On demand or within one year HK\$'000	One to five years HK\$'000	Over five years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>At 31 March 2021</b>						
<b>Non-derivative instruments</b>						
Trade payable	-	1,367	-	-	1,367	1,367
Other payables and accruals	-	80,893	-	-	80,893	80,893
Amount due to a director	-	562	-	-	562	562
Bonds	17.07	232,206	207,710	-	439,916	358,101
Guaranteed notes	12.59	83,800	-	-	83,800	78,991
Bank borrowings	1.58	22,637	40,741	32,749	96,127	87,980
Other Borrowings	1.92	269	14,709	-	14,978	14,037
Lease liabilities	6.06	44,750	130,475	-	175,225	155,077
Long-term other payable	-	-	595	-	595	595
Obligation arising from a put option to a non-controlling interest (note)	-	-	14,753	-	14,753	3,065
		<b>466,484</b>	<b>408,983</b>	<b>32,749</b>	<b>908,216</b>	<b>780,668</b>
<b>At 31 March 2020</b>						
<b>Non-derivative instruments</b>						
Trade and notes payables	-	8,213	-	-	8,213	8,213
Other payables and accruals	-	56,346	-	-	56,346	56,346
Amount due to a director	-	897	-	-	897	897
Bonds	14.52	165,216	281,097	8,540	454,853	370,487
Guaranteed note	12.13	110,500	-	-	110,500	99,267
Secured bank borrowings	1.98	24,118	13,889	-	38,007	37,036
Other borrowings	1.92	274	15,246	-	15,520	14,287
Lease liabilities	9.87	52,200	157,375	8,725	218,300	171,181
Long term other payable	-	-	1,115	-	1,115	1,115
Obligation arising from a put option to a non-controlling interest (note)	-	-	14,939	-	14,939	7,507
		<b>417,764</b>	<b>483,661</b>	<b>17,265</b>	<b>918,690</b>	<b>766,336</b>

Note: The amount represents the maximum exposure on the put price if the put option had been exercised on or after the fifth anniversary of the Completion Date and until the day immediately before the sixth anniversary of Completion Date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 44. Financial Instruments (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *Liquidity risk (Continued)*

Bank borrowings with a repayment on demand clause are included in the “on demand or within one year” time band in the above maturity analysis. At 31 March 2021, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK\$Nil (2020: HK\$11,004,000). Taking into account the Group’s financial position, the directors of the Company did not believe that it was probable that the banks would exercise their discretionary rights to demand immediate repayment. The directors of the Company believed that such bank borrowings would be repaid in accordance with the scheduled repayment dates as set out in the loan agreements, details of which are set out in the table below:

#### **Maturity Analysis – Bank borrowings with a repayment on demand clause based on scheduled repayments**

	Within one year HK\$'000	Over one year HK\$'000	Total undiscounted cash outflows HK\$'000	Carrying amount HK\$'000
31 March 2021	–	–	–	–
31 March 2020	5,316	6,202	11,518	11,004

#### *Fair value measurements of financial instruments that are measured at fair value on a recurring basis*

Some of the Group’s financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 44. Financial Instruments (Continued)

### b. Financial risk management objectives and policies (Continued)

*Fair value measurements of financial instruments that are measured at fair value on a recurring basis (Continued)*

Financial assets/liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31.3.2021 HK\$'000	31.3.2020 HK\$'000				
Financial assets at FVTOCI – listed equity	Asset – HK\$8,007	Asset – HK\$81,505	Level 1	Quoted bid price in an active market	N/A	N/A
Financial assets at FVTOCI – unlisted equity	Asset – HK\$40,000	N/A	Level 3	Present value of the expected cash flow derived from the ownership of this investee	Discount for lack of marketability of 30%.  Discount rate of 15%, which is based on WACC of comparable companies.	An increase in the discount on lack of marketability would result in a decrease in fair value, and vice versa.  An increase in the discount rate would result in a decrease in the fair value, and vice versa.
Financial assets at FVTPL – structured deposits	Asset – HK\$805	Asset – HK\$742	Level 3	Discounted cash flows	Expected yields and discounts rate that reflects the credit risk of the bank.	An increase in the expected yield would result in an increase in fair value, and vice versa.  An increase in the discount rate would result in a decrease in the fair value, and vice versa.
Financial assets at FVTPL – Convertible Notes	N/A	Asset – HK\$84,120	Level 3	Hull-white Binomial Model  The key inputs are the value of asset, risk-free rate, volatility and discount rate.	Value of asset HK\$0.2, which is based on price multiples of the Convertible Notes issuer and historical financial performance of the Convertible Notes issuer.  Risk free rate of 0.604%, with reference to the yield of the US Treasury Bonds with duration similar to that of the convertible bonds.  Volatility of 40.231%, which is determined based on the historical volatility of the Convertible Notes issuer.  Discount rate of 21.562%, which was determined with reference to the yield of loans in the market similar to that of the Convertible Notes.	An increase in the value of asset would result in an increase in the fair value, and vice versa.  An increase in the risk free rate would result in an increase in the fair value, and vice versa.  An increase in the volatility would result in an increase in the fair value, and vice versa.  An increase in the discount rate would result in a decrease in the fair value, and vice versa.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 44. Financial Instruments (Continued)

### b. Financial risk management objectives and policies (Continued)

*Fair value measurements of financial instruments that are measured at fair value on a recurring basis (Continued)*

Financial assets/liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31.3.2021 HK\$'000	31.3.2020 HK\$'000				
Put option derivatives	Liability – HK\$1,517	Liability – HK\$440	Level 3	Binomial Option Pricing Model  The key inputs are the exercise price, risk-free rate, exercise period, and volatility of the daily return of comparative stock.	Equity value of CA Sega Group is derived by income approach. The key inputs are unaudited consolidated net asset value and cash flow forecast of CA Sega Group and expected return from the investors of 18% (2020: 17.0%) per annum developed using Capital Asset Pricing Model.  Volatility is based on the average of the implied volatility of the comparable stocks of 40.0% (2020: 38.9%).	An increase in the forecasted profit would result in a decrease in the fair value, and vice versa.  An increase in the expected return from the investors would result in an increase in the fair value, and vice versa.  An increase in the volatility would result in an increase in the fair value, and vice versa.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

#### Reconciliation of Level 3 fair value measurements

	Financial assets at FVTOCI HK\$'000	Financial assets at FVTPL HK\$'000	Total HK\$'000
At 1 April 2019	–	–	–
Total gains:			
– in profit or loss	–	183	183
– in other comprehensive income	–	–	–
Received as consideration for disposal of a subsidiary (Note 42)	–	84,120	84,120
Purchased	–	559	559
At 31 March 2020	–	84,862	84,862
Total gains:			
– in profit or loss	–	37,681	37,681
– in other comprehensive income	–	–	–
Purchased	40,000	2,386	42,386
Disposals	–	(124,124)	(124,124)
At 31 March 2021	40,000	805	40,805

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 44. Financial Instruments (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *Fair value measurements of financial instruments that are measured at fair value on a recurring basis (Continued)*

The only financial liability subsequently measured at fair value on Level 3 fair value measurement represents the put option derivative relating to the purchase of the remaining 14.9% equity interest of CA Sega (see Note 39 to the consolidated financial statements). A loss of approximately HK\$1,077,000 (2020: HK\$Nil) has been recognized in the other gains and losses of the consolidated financial statements for the year ended 31 March 2021 in respect of the put option derivative.

Of the total gains or losses for the period included in profit or loss, HK\$63,000 (2020: HK\$183,000) relates to financial assets designated as at FVTPL and HK\$1,077,000 (2020: HK\$Nil) relates to financial liability measured at fair value held at the end of the current reporting period. Fair value gains or losses on financial assets designated as at FVTPL and financial liability at FVTPL are included in 'other gains and losses'.

### c. Forward contract for hedging financial assets at FVTOCI

The Group enters into forward contract, when considered appropriate, to manage the fair value risk associated with the holding of certain equity instruments classified as financial assets at FVTOCI.

During the year ended 31 March 2021, the Group has designated the 2 forward contracts, details of which are disclosed in Note 21(i), as a hedge of 372,585,332 listed shares of Aceso Life included in its investment in the Aceso shares classified as financial assets at FVTOCI, as detailed in Note 21(i) to the consolidated financial statements, in order to reduce the exposure of fair value risk to the Aceso shares.

The following table details the effectiveness of the hedging relationship and summarize the effect of the hedge accounting on financial position and performance of the Group for the year ended 31 March 2021.

	Notional amount of hedging instruments HK\$'000	Carrying amount of hedged items HK\$'000	Accumulated fair value hedge adjustments included in carrying amount of hedged items HK\$'000	Favourable/(Unfavourable) changes in fair value used for measuring ineffectiveness		Hedge ineffectiveness charged to other comprehensive income HK\$'000
				Hedging instruments HK\$'000	Hedged items HK\$'000	
<b>Fair Value Hedges</b>						
At 31 March 2021						
Financial asset at FVTOCI	-	-	-	(65,202)	74,144	8,942

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 45. Notes to the Consolidated Statement of Cash Flows

### (a) Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable HK\$'000	Bank and other borrowings HK\$'000	Amount due to a director HK\$'000	Bonds HK\$'000	Guaranteed note HK\$'000	Lease liabilities HK\$'000	Obligation under finance lease HK\$'000	Total HK\$'000
At 1 April 2019	-	127,805	-	257,528	138,957	-	19,750	544,040
Financing cash flows	(21,161)	(81,502)	897	73,782	(53,478)	(43,898)	-	(125,360)
<i>Non-cash transactions</i>								
Adoption of HKFRS 16	-	-	-	-	-	200,986	(19,750)	181,236
Dividends declared	21,161	-	-	-	-	-	-	21,161
Gain on non-substantial modification of financial liabilities measured at amortised cost	-	-	-	(6,935)	-	-	-	(6,935)
Foreign exchange translation	-	250	-	-	-	766	-	1,016
Finance costs	-	4,770	-	46,112	13,788	13,327	-	77,997
At 1 April 2020	-	51,323	897	370,487	99,267	171,181	-	693,155
Financing cash flows	-	50,090	218	(80,083)	(31,265)	(46,079)	-	(107,119)
<i>Non-cash transactions</i>								
Modification of lease	-	-	-	-	-	16,036	-	16,036
Gain on early termination of lease	-	-	-	-	-	(800)	-	(800)
Foreign exchange translation	-	(758)	(553)	-	-	6,128	-	4,817
Finance costs	-	1,362	-	67,697	10,989	8,611	-	88,659
At 31 March 2021	-	102,017	562	358,101	78,991	155,077	-	694,748

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 45. Notes to the Consolidated Statement of Cash Flows (Continued)

### (b) Major non-cash transactions

#### Year ended 31 March 2021

During the year ended 31 March 2021, the Group had the following material non-cash transactions:

- (i) As disclosed in Note 19(b), the acquisition of the associate, Triple Blessing, at a consideration of approximately HK\$66,298,000 was satisfied by the Convertible Notes issued by Aceso Life in principal amount of HK\$50,000,000 with fair value of approximately HK\$66,298,000 held by the Group as financial assets at FVTPL.
- (ii) As disclosed in Note 19(c), the acquisition of the associate, Access Profit, at a consideration of approximately HK\$94,000,000 was satisfied by the Group's issuance of bonds at face value of HK\$94,000,000.
- (iii) As disclosed in Note 19(d), the acquisition of the associate, Lion Run, at a consideration of approximately HK\$44,100,000 was satisfied by the Consideration Bond.
- (iv) As disclosed in Note 21(i), the Group has signed the forward contracts with the 2 Parties to sell 372,585,332 listed ordinary shares of Aceso Life at forward price of HK\$0.225 per share (aggregate contracted value of approximately HK\$83,832,000) and transferred the Aceso Convertible Notes of aggregate principal amount of HK\$10,000,000 at fair value of HK\$15,652,000 to the 2 Parties to redeem the Bonds of aggregate principal amount HK\$94,000,000 previously issued to the 2 Parties as consideration for acquisition of Access Profit, as mentioned in Note (ii) above and Note 19(c).
- (v) As disclosed in Note 21(ii), the Group entered into a subscription agreement to subscribe for shares of a limited partnership at consideration of HK\$40,000,000, which was satisfied by transferring the Aceso Convertible Note of aggregate Principal amount of HK\$40,000,000 with fair value measured to be approximately HK\$40,000,000 held by the Group as financial assets FVTPL.
- (vi) As disclosed in Note 41, the acquisition of assets and liabilities through acquisition of the subsidiary, Flourishing Emerald, at a consideration of approximately HK\$105,600,000 was satisfied by the Company's issuance of 44,000,000 new ordinary shares at issue price of HK\$2.4 per share.

#### Year ended 31 March 2020

During the year ended 31 March 2020, the Group had the following material non-cash transactions:

- (i) As disclosed in Note 18, the acquisition of intangible assets of approximately HK\$223,964,000 was settled through the assignment of the Group's trade receivables.
- (ii) As disclosed in Note 42, the Group disposed of its subsidiary at a consideration of HK\$100,000,000, which is satisfied by issue of Convertible Notes to the Group in principal amount of HK\$100,000,000.

## 46. Capital Commitments

The Group had the following capital commitments:

	2021 HK\$'000	2020 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of – acquisition of property, plant and equipment and intangible asset	–	–

The Group does not have material capital commitment as at 31 March 2021 and 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 47. Related Party Disclosures

### (a) Related party transactions

During the current year, the Group entered into the following transactions with related parties, certain of whom are also deemed to be connected parties pursuant to the Listing Rules. Significant transactions with these parties during the year are as follows:

Name of party	Relationship	Nature of transaction	2021 HK\$'000	2020 HK\$'000
Sega Holdings Co., Ltd.	Subsidiary of a non-controlling Shareholder	Licensing fee	1,191	2,667
Chong Heung Chung Jason	Controlling Shareholder	Rental expense for premises (Note)	148	–

Note: During the year ended 31 March 2020, the Group entered into several rental agreements as lessee in respect of certain properties including office premises and staff quarters leased from controlling shareholder with lease periods of 2 to 3 years. The amount of rental payable by the Group under these leases are amounted to approximately RMB173,304 per month. On the commencement date of the leases, the Group recognised right-of-use assets and lease liabilities of approximately HK\$4,745,000, which is included in the carrying amount of lease liabilities and right-of-use assets. During the year ended 31 March 2021, some of the rental agreements entered into in prior year have been early terminated, and the Group has entered into certain short term lease with the controlling Shareholder.

### (b) Guarantees provided by related parties and pledges over assets of related parties

Details of personal guarantees provided by related parties and details of pledges over assets of related parties in connection with the guaranteed note and bank borrowings are set out in Notes 33 and 35.

(c) Details of the outstanding balances with other related parties are set out in the consolidated statement of financial position.

### (d) Compensation of key management personnel

The remuneration of key management personnel which represent the executive directors and key executives of the Company during both years was as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries and other benefits	7,676	8,678
Retirement benefit schemes contribution	116	118
Incentive performance bonuses	715	373
Share-based payments expense	–	257
	<b>8,507</b>	<b>9,426</b>

The remuneration of the key executives is determined having regard to the performance of individuals and market trends.

### (e) Other related party transactions

Remuneration of approximately HK\$468,000 (2020: HK\$Nil) was paid to the spouse of the Controlling Shareholder during the year ended 31 March 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 48. Share-Based Payments

### Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 16 February 2015 for the primary purpose of attracting and retaining the best available personnel, providing additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers ("Eligible Participants") of the Group and promoting the success of the business of the Group and will remain in force for a period of ten years commencing on the adoption date and shall expire at 15 February 2025. The board of directors of the Company may grant options to Eligible Participants to subscribe for shares in the Company.

The total number of shares of each Eligible Participant in respect of which options that may be granted under the Scheme is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. However, the total maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not exceed 10% of the issued share capital of the Company from time to time. Options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares as stated in the daily quotation sheet issued by the Stock Exchange at the date of the grant) in excess of HK\$5 million, within any 12-month period up to and including the date of grant, are subject to shareholders' approval in advance in a general meeting.

Options granted must be taken up within 30 days from the date of grant, upon payment of a nominal consideration of HK\$1 in total by each grantee. Options may be exercised at any time for a period determined by its directors which shall not be later than the day immediately preceding the tenth anniversary of the date of grant. The exercise price of the share options must be at least the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant of the share options; (ii) the average closing price of the Company's shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of an ordinary share on the date of grant.

As at 31 March 2021, all share options granted were expired unexercised and forfeited.

At 31 March 2020, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 12,873,240, representing 1.40% of the shares of the Company in issue at that date. As at 31 March 2020, the number of securities of the Company available for issue under the Scheme was 79,132,960, representing approximately 8.60% of the issued share capital of the Company as at 31 March 2020.

Details of specific categories of options are as follows:

Date of grant	Vesting period	Exercisable period	Outstanding at	
			31 March 2021	1 April 2019 and 31 March 2020
29 February 2016	29 February 2016–31 August 2016	1 September 2016–28 February 2021	–	2,574,648
29 February 2016	29 February 2016–27 February 2017	28 February 2017–28 February 2021	–	2,574,648
29 February 2016	29 February 2016–27 February 2018	28 February 2018–28 February 2021	–	2,574,648
29 February 2016	29 February 2016–27 February 2019	28 February 2019–28 February 2021	–	2,574,648
29 February 2016	29 February 2016–27 February 2020	28 February 2020–28 February 2021	–	2,574,648
			–	12,873,240
Exercisable at 31 March 2021				–
Exercisable at 31 March 2020				12,873,240

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 48. Share-Based Payments (Continued)

### Equity-settled share option scheme of the Company (Continued)

Categories of participants	Number of shares under option outstanding at 31 March	
	2021	2020
Directors of the Company	–	2,574,648
Other employees	–	6,007,512
Consultants (note)	–	4,291,080
	–	12,873,240

Note: The share options were granted to consultants who are providing similar services to employees.

The fair value of the options granted on 29 February 2016 was HK\$21,611,000. The fair value was calculated using the Binomial option pricing model. The inputs into the model were as follows:

Closing price of the Company's shares on grant date	HK\$2.94
Exercise price	HK\$3.03
Risk-free rate*	1.001%
Expected volatility	44.23%
Expected dividend yield	0.34%

\* Risk-free rate represents the yields to maturity of Hong Kong Sovereign Curve with respective terms to maturity as at the grant date.

Expected volatility was determined with reference to the annualised standard deviation of the continuously compounded rates of return on the daily average adjusted share price.

During the year ended 31 March 2021, the Group recognised the total expense of HK\$Nil (2020: HK\$641,000) in relation to share options granted by the Company.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 49. Particulars of Principal Subsidiaries of the Company

Particulars of the Company's principal subsidiaries as at 31 March 2021 and 2020 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group As of 31 March		Principal activities
			2021 %	2020 %	
<b>Directly held</b>					
China Animation Holding (BVI) Limited 華夏動漫集團(英屬處女島)有限公司	BVI	US\$1	100	100	Investment holding
<b>Indirectly held</b>					
China Animation Group Limited 華夏動漫集團有限公司	BVI	HK\$1,000,000	100	100	Investment holding and sales of animation derivative products
China Animation Group (HK) Limited 華夏動漫集團(香港)有限公司	Hong Kong	HK\$1	100	100	Investment holding
Network China Technology Limited 華夏網路科技有限公司	BVI	US\$1	100	100	Investment holding
Network China Technology Limited 華夏網路科技有限公司	Hong Kong	HK\$1	100	100	Investment holding and operation of multimedia animation entertainment
深圳華爾德動漫科技有限公司 Shenzhen Wald Animation Technology Company Ltd**	PRC	RMB500,000	100	100	Animation derivative product design, sales of animation derivative products and multimedia animation entertainment
China Theme Park Limited 中國主題樂園有限公司	BVI	US\$1	100	100	Investment holding and promotion and development of indoor theme park business
China Theme Park Incorporation Limited 華夏樂園有限公司	Hong Kong	HK\$1	100	100	Investment holding and promotion and development of indoor theme park business
Animate China Technology Limited 華夏動漫科技有限公司	BVI	US\$1	100	100	Operation of multimedia animation entertainment
Animate China Technology (HK) Limited 華夏動漫科技(香港)有限公司	Hong Kong	HK\$1	100	100	Operation of multimedia animation entertainment
China Animation IP Limited 中國動漫知識產權有限公司	BVI	US\$1	100	100	Inactive
華嘉泰(上海)室內遊樂有限公司 HuaJiatai (Shanghai) Indoor Amusement Co., Ltd.*v	PRC	RMB60,000,000	100	100	Operation of indoor theme park in the PRC

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 49. Particulars of Principal Subsidiaries of the Company (Continued)

Particulars of the Company's subsidiaries as at 31 March 2021 and 2020 are as follows: (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group As of 31 March		Principal activities
			2021 %	2020 %	
CA Sega*	Japan	JPY100,000,000	85.1	85.1	Operation of indoor theme park in Japan
華夏世嘉(青島)娛樂遊藝有限公司 CA SEGA (Qingdao) Entertainment Park Co., Ltd**	PRC	US\$17,000,000	85.1	85.1	Operation of indoor theme park in the PRC
Walita Toys (Cambodia) Co., Ltd.	Cambodia	US\$485,000	100	100	Manufacturing and trading of animation derivative products
CAG Tactics Cultural Enterprise Company Limited 華夏韜略文化產業有限公司	Hong Kong	HK\$10,000	100	100	Inactive
玩得福有限公司 Wonderful Company Limited**	PRC	RMB100,000,000	100	100	Inactive
華嘉益文化傳播(深圳)有限公司 Huajiyi Cultural Communication (Shenzhen) Company Limited**	PRC	RMB4,000,000	51 <sup>Note (iii)</sup>	51	Operation of indoor children playground in the PRC
深圳市玩得樂兒童樂園有限公司 Shenzhen Wonderful Theme Park Company Limited**	PRC	RMB10,000,000	100	100	Inactive
華嘉悅文化傳播(深圳)有限公司 Huajiyue Cultural Communication	PRC	RMB2,310,000	69 <sup>Note (iii)</sup>	69	Operation of indoor children playground in the PRC
深圳市華誠檢品有限公司 Shenzhen Huacheng Product Inspection Company Limited	PRC	RMB100,000	100	100	Inspection of animation derivative products in PRC
Grand Peaceful Global Limited	BVI	US\$21,000,000	100	100	Operation of multimedia animation entertainment
Flourishing Emerald Limited	BVI	HK\$105,600,000	100	N/A	Operation of multimedia animation entertainment
深圳市華利達玩具禮品有限公司 (「深圳華利達」) (Note (i))	PRC	– ^	N/A <sup>Note (i)</sup>	N/A	Investment holding

\* The English name is for identification purpose only.

# Established in the PRC in the form of wholly foreign-owned enterprise.

v Established in the PRC in the form of sino-foreign equity joint investment.

^ The registered capital of 深圳華利達 is RMB2.5 million but was not paid up to the date of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 49. Particulars of Principal Subsidiaries of the Company (Continued)

Notes:

- (i) The Group does not have any equity interest in 深圳華利達. However, the Group has entered into the contractual arrangements with 深圳華利達 and its equity holders, which enable the Group to (1) exercise effective financial and operational control over 深圳華利達; (2) exercise equity holders' voting rights of 深圳華利達; (3) receive substantially all of the economic interest returns generated by 深圳華利達 in consideration for the management services provided by the Group; (4) obtain an irrevocable and exclusive right with an initial period of 10 years to purchase the entire equity interest in 深圳華利達 from the respective equity holders. The right automatically renews upon expiry until the Group specifies a renewal term; and (5) obtain a pledge over the entire equity interest of 深圳華利達 from its respective equity holders as collateral security for all the payments due to the Group and to secure performance of 深圳華利達's obligations under the above contractual arrangements. Accordingly, the Group has rights to variable returns from its involvement with 深圳華利達 and has the ability to affect those returns through its power over 深圳華利達 and is considered to control 深圳華利達. Consequently, the Group regards 深圳華利達 as an indirect subsidiary under HKFRSs.
- (ii) None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during the year.
- (iii) The directors of the Company consider the non-wholly owned subsidiaries of the Group have no material non-controlling interest, and accordingly, no summarised financial information in respect of respective subsidiary has been presented.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## 50. Details of Non-wholly-owned Subsidiary that has Material Non-controlling Interests

The table below shows details of the non-wholly-owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of establishment/ registration and principal place of business	Proportion of ownership interests held by the non-controlling interests		(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	2021	2020	2021	2020
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
CA Sega Joypolis Limited and its subsidiary ("CA Sega Group")	PRC and Japan	14.9%	14.9%	(11,783)	4,361	(4,515)	7,641
Individually immaterial subsidiaries with non-controlling interests				(321)	(95)	2,313	2,613
				(12,104)	4,266	(2,202)	10,254

Summarised consolidated financial information in respect of CA Sega Group that has material non-controlling interests is set out below. The summarised consolidated financial information below, prepared in accordance with the significant accounting policies of the Group, represents amounts before intragroup eliminations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 50. Details of Non-wholly-owned Subsidiary that has Material Non-controlling Interests (Continued)

#### CA Sega Group

	2021 HK\$'000	2020 HK\$'000
Current assets	90,470	99,385
Non-current assets	96,966	132,106
Current liabilities	(64,224)	(55,019)
Non-current liabilities	(153,517)	(125,192)
<b>Net (liabilities)/assets</b>	<b>(30,305)</b>	51,280
(Accumulated deficit)/Equity attributable to owners of the Company	(25,790)	43,639
Non-controlling interests	(4,515)	7,641
<b>Total (accumulated deficit)/equity</b>	<b>(30,305)</b>	51,280
Revenue	87,636	262,987
Other income and gains	8,553	373
Expenses and taxation	(175,267)	(234,093)
<b>(Loss)/profit for the year</b>	<b>(79,078)</b>	29,267
(Loss)/profit attributable to owners of the Company	(67,295)	24,906
(Loss)/profit attributable to the non-controlling interests	(11,783)	4,361
<b>(Loss)/profit for the year</b>	<b>(79,078)</b>	29,267
Other comprehensive expense attributable to owners of the Company	(2,116)	(1,819)
Other comprehensive expense attributable to non-controlling interests	(373)	(318)
Other comprehensive expense for the year	(2,489)	(2,137)
Total comprehensive (expense)/income attributable to owners of the Company	(69,411)	23,087
Total comprehensive (expense)/income attributable to non-controlling interests	(12,156)	4,043
Total comprehensive (expense)/income for the year	(81,567)	27,130
Net cash from operating activities	7,484	13,711
Net cash used in investing activities	(3,565)	(7,483)
Net cash from/(used in) financing activities	25,427	(648)
<b>Net increase in cash and cash equivalents</b>	<b>29,346</b>	5,580

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 51. Statement of Financial Position of the Company

	Note	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>			
Intangible assets		1,359	2,447
Financial assets at fair value through other comprehensive income		7,744	5,340
Interest in subsidiaries	1	–	–
		<b>9,103</b>	<b>7,787</b>
<b>Current assets</b>			
Amount due from a joint venture		–	54
Other receivables, deposits and prepayments		43,820	25,541
Amounts due from subsidiaries		1,019,661	977,137
Pledged bank deposits		–	15,069
Bank balances and cash		3,693	12,586
		<b>1,067,174</b>	<b>1,030,387</b>
<b>Current liabilities</b>			
Other payables and accruals		39,334	17,445
Amount due to a director		8,173	6,910
Amount due to subsidiaries		25,135	4,458
Guaranteed note		78,991	99,267
Bonds		199,397	124,817
Bank borrowings		1,103	11,004
		<b>352,133</b>	<b>263,901</b>
<b>Net current assets</b>		<b>715,041</b>	<b>766,486</b>
<b>Total assets less current liabilities</b>		<b>724,144</b>	<b>774,273</b>
<b>Non-current liability</b>			
Bonds		158,704	245,670
<b>Net assets</b>		<b>565,440</b>	<b>528,603</b>
<b>Capital and reserves</b>			
Share capital		98,170	92,006
Reserves		467,270	436,597
<b>Total equity</b>		<b>565,440</b>	<b>528,603</b>

Chong Heung Chung Jason  
DIRECTOR

Ting Ka Fai Jeffrey  
DIRECTOR

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 51. Statement of Financial Position of the Company (Continued)

The movements in the reserves of the Company were as follows:

	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Share-based compensation reserve HK\$'000	Accumulated Deficit HK\$'000	Total reserves HK\$'000
At 1 April 2019	578,726	(13,482)	12,195	(34,437)	543,002
Loss for the year	–	–	–	(69,774)	(69,774)
Fair value loss on financial assets at fair value through other comprehensive income	–	(16,111)	–	–	(16,111)
Total comprehensive expense for the year	–	(16,111)	–	(69,774)	(85,885)
Dividend recognised as distribution (Note 13)	–	–	–	(21,161)	(21,161)
Recognition of equity-settled share-based payments	–	–	641	–	641
At 31 March 2020	578,726	(29,593)	12,836	(125,372)	436,597
Loss for the year	–	–	–	(115,264)	(115,264)
Fair value gain on financial assets at fair value through other comprehensive income	–	2,402	–	–	2,402
Total comprehensive income/(expense) for the year	–	2,402	–	(115,264)	(112,862)
Issuance of consideration shares (Note 40)	143,535	–	–	–	143,535
Transfer upon lapse of share options	–	–	(12,836)	12,836	–
At 31 March 2021	<b>722,261</b>	<b>(27,191)</b>	<b>–</b>	<b>(227,800)</b>	<b>467,270</b>

Note:

- The balance represents an amount of less than HK\$1,000.

## 52. Litigation

On 18 December 2019, a legal claim action was taken by a subcontractor against a subsidiary of the Company, HuaJiatai (Shanghai) Indoor Amusement Co., Ltd. (華嘉泰(上海)室內遊樂有限公司) (“HuaJiatai”) for decoration service fees and accrued interest of approximately RMB20,000,000 (equivalent to approximately HK\$21,833,000) in total.

Based on the information gathered by the directors of the Company, on 15 June 2020, a verbal agreement to settle the dispute was made between the subcontractor and HuaJiatai, in which both parties agreed that an amount of approximately RMB4,000,000 (equivalent to approximately HK\$4,367,000) was to be paid to the subcontractor by HuaJiatai as a full settlement of the claim.

In the opinion of the directors of the Company, a formal settlement agreement will be signed once the travel restriction to China is lifted, and a provision of approximately RMB4,000,000 (equivalent to approximately HK\$4,367,000) was made in regards to the claim and included in other payables and accruals at 31 March 2020.

As at 31 March 2021, the case remains unsettled as the senior management of the Group are based in Hong Kong and are restrained from travelling to the PRC for case settlement as a result of travel restriction imposed by the government due to COVID-19.

# FIVE YEARS FINANCIAL SUMMARY

## Year ended 31 March

	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	478,309	391,814	632,881	801,459	770,651
Cost of sales and services	(310,609)	(324,045)	(474,205)	(579,123)	(503,571)
Gross Profit	167,700	67,769	158,676	222,336	267,080
Other income	8,370	4,588	7,515	6,047	2,272
Other gains and losses	52,558	130,148	78,650	(31,878)	(16,918)
Selling and distribution expenses	(12,895)	(23,432)	(22,840)	(39,778)	(22,584)
Administrative expenses	(87,020)	(122,000)	(93,129)	(88,937)	(76,644)
Research and development expenses	(10,807)	(19,394)	(17,986)	(17,843)	(6,106)
Share of profit of a joint venture	8,709	–	–	–	–
Share of result of associates	8,773	(297)	–	(25)	(16)
Gain on disposal of a subsidiary	–	161,953	–	–	–
Finance costs	(88,659)	(77,997)	(55,363)	(27,581)	(3,175)
Reversal of/(Provision of impairment loss) on trade and other receivables	5,227	(17,971)	(10,614)	–	–
Other expense	–	(387)	(188)	(875)	(16,084)
Profit before taxation	51,956	102,980	44,721	21,466	127,825
Taxation	19,026	6,508	14,843	(224)	(23,753)
Profit for the year	70,982	109,488	59,564	21,242	104,072
Other comprehensive income (expense): Item that may be reclassified to profit or loss:					
Remeasurement of defined benefit plans	(1,124)	(1,490)	838	690	197
Fair value gain/(loss) on financial assets at fair value through other comprehensive income					
– investment in equity instrument at fair value through other comprehensive income	75,536	(26,394)	(54,654)	–	–
– hedging instrument for fair value hedge	(65,202)	–	–	–	–
Items that may be reclassified subsequently differences arising on translation of:					
– subsidiaries	(2,452)	(6,219)	(10,485)	15,233	(3,745)
– associate	–	(598)	(451)	603	–
Fair value gain on available-for-sale investments	–	–	–	670	–
Other comprehensive income (expense) for the year	6,758	(34,701)	(64,752)	17,196	(3,548)
Total comprehensive income (expense) for the year	77,740	74,787	(5,188)	38,438	100,524
Profit for the year attributable to:					
Owners of the Company	83,086	105,222	58,372	20,790	94,840
Non-controlling interests	(12,104)	4,266	1,192	452	9,232
	70,982	109,488	59,564	21,242	104,072
<b>ASSETS AND LIABILITIES</b>					
Total assets	2,208,950	1,932,597	1,674,874	1,664,578	1,438,197
Total liabilities	(1,038,609)	(989,695)	(786,239)	(752,932)	(441,454)
Net assets	1,170,341	942,902	888,635	911,646	996,743
Total equity attributable to owners of the Company	1,172,543	932,648	882,244	910,982	971,892
Non-controlling interests	(2,202)	10,254	6,391	664	24,851
<b>Total equity</b>	<b>1,170,341</b>	<b>942,902</b>	<b>888,635</b>	<b>911,646</b>	<b>996,743</b>