



華夏文化科技集團  
CA CULTURAL TECHNOLOGY GROUP

# Annual Report 2022/23



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)



# CONTENTS

2	Corporate Information
3	Financial Highlights
4	Corporate Profile
6	Chairman's Statement
9	Management Discussion and Analysis
19	Biographical Details of Directors and Senior Management
23	Corporate Governance Report
37	Report of the Directors
51	Independent Auditor's Report
54	Consolidated Statement of Profit or Loss and Other Comprehensive Income
55	Consolidated Statement of Financial Position
57	Consolidated Statement of Changes in Equity
58	Consolidated Statement of Cash Flows
60	Notes to the Consolidated Financial Statements
163	Five Years Financial Summary

# 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  
No. 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

## Executive Directors

Mr. CHONG Heung Chung Jason (莊向松)  
(formerly named as Mr. ZHUANG Xiangsong (庄向松))  
Ms. LIU Moxiang (劉茉香)  
Mr. XIONG Hao (熊浩)  
Mr. TING Ka Fai Jeffrey (丁家輝)  
(resigned with effect from 15 June 2022)

## Independent Non-executive Directors

Mr. NI Zhenliang (倪振良)  
Mr. HUNG Muk Ming (洪木明)  
Mr. WANG Guozhen (王國鎮)  
(appointed with effect from 3 November 2022)  
Mr. TSANG Wah Kwong (曾華光)  
(resigned with effect from 3 November 2022)

## Audit Committee of our Board

Mr. HUNG Muk Ming (洪木明) (*Chairman*)  
Mr. NI Zhenliang (倪振良)  
Mr. WANG Guozhen (王國鎮)  
(appointed with effect from 3 November 2022)  
Mr. TSANG Wah Kwong (曾華光)  
(resigned with effect from 3 November 2022)

## Remuneration Committee of our Board

Mr. WANG Guozhen (王國鎮) (*Chairman*)  
(appointed with effect from 3 November 2022)  
Mr. HUNG Muk Ming (洪木明)  
Mr. TING Ka Fai Jeffrey (丁家輝)  
(resigned with effect from 15 June 2022)  
Mr. NI Zhenliang (倪振良)  
Mr. TSANG Wah Kwong (曾華光)  
(resigned with effect from 3 November 2022)

## 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. TING Ka Fai Jeffrey (丁家輝)  
(resigned with effect from 15 June 2022)  
Mr. WANG Guozhen (王國鎮)  
(appointed with effect from 3 November 2022)  
Mr. HUNG Muk Ming (洪木明)  
Mr. NI Zhenliang (倪振良)  
Mr. TSANG Wah Kwong (曾華光)  
(resigned with effect from 3 November 2022)

## Authorised Representatives

Mr. CHONG Heung Chung Jason (莊向松)  
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

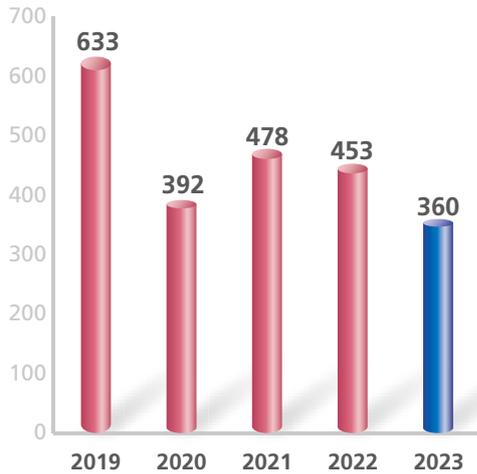
Chung On Street Branch  
38 Chung On Street  
Tsuen Wan, New Territories  
Hong Kong

## Bank of China (Hong Kong) Limited

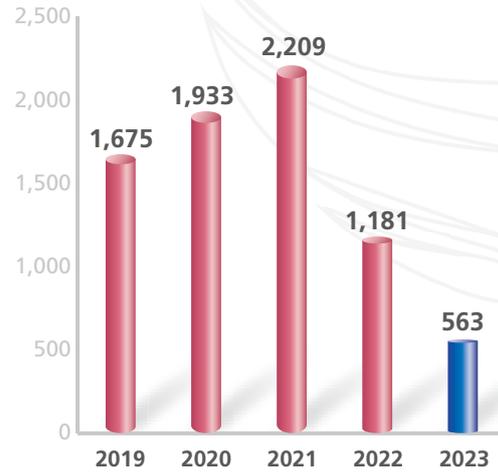
56 and 58, Sai Kung Town Centre  
22-40 Fuk Man Road, Sai Kung  
New Territories  
Hong Kong

# FINANCIAL HIGHLIGHTS

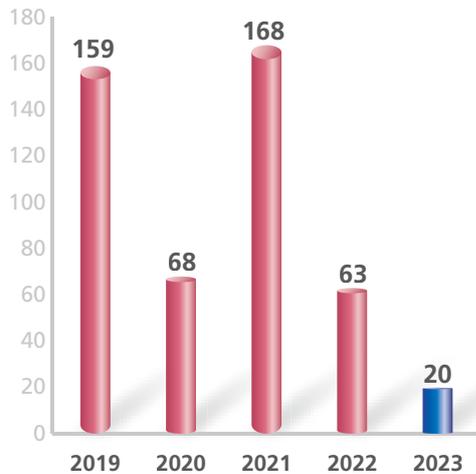
**Revenue** (HK\$ million)



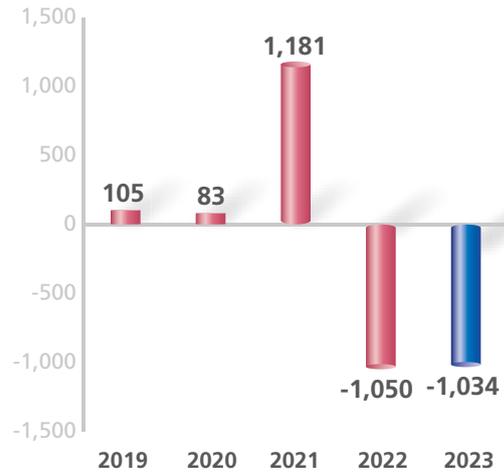
**Total Assets** (HK\$ million)



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



**Profit/Loss** (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.

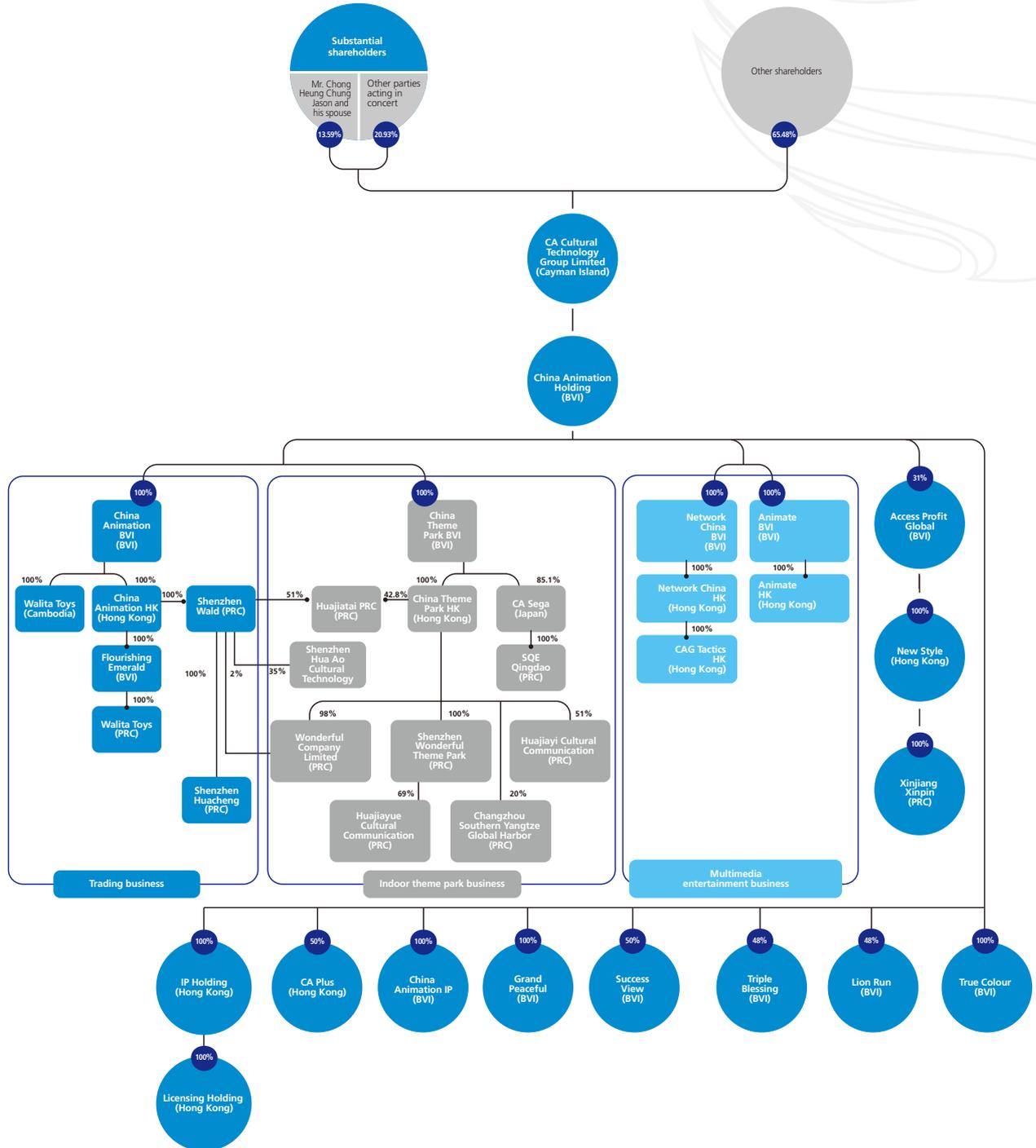
The Group has over 30 years' experience in IP Pop Toy industry (mainly IP Pop Toy manufacturing business), engaged in the trading business as well as relevant value-added services of sales of animation-derived products featuring a wide range of popular third-party owned animation characters (mainly toys).

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 2023



# 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 report of the Company and its subsidiaries (the "**Group**", "**we**" or "**us**") for the year ended 31 March 2023 (the "**Year under Review**").

With most parts of the world coming out of the haze of the COVID-19 pandemic and on the path to recovery, the Group's operations were under positive impact. Coupled with the Group's restructuring currently in progress, our working capital is returning to a stable level from a tight position, supporting the Group's business and strategic cooperation.

During the Year under Review, the Board and the management of each business unit continued to adjust their business strategies, in order to drive revenue and reduce expenditure, and to find new sources of funds and revenue. However, during the Year under Review, the general economic climate and market sentiment were on the path to recovery. Meanwhile, in common with many other enterprises, many difficulties and challenges came to us every minute and second. But as always, we chose to embrace the challenges because we believe that maintaining the status quo will only be eliminated and that being brave to step forward is the only key to make success.

I would like to express my sincere gratitude to the members of the execution team who are still sticking to their posts during this difficult time, and a big thanks to our customers, strategic shareholders and investors who are still willing to support us, the last but not the least, our professional teams who always provide advice and assistance from time to time.

## CHAIRMAN'S STATEMENT

Under the current market environment, there are still many investors and cooperation partners who are optimistic about the animation culture and VR industry, especially the Web 3.0, Metaverse-level indoor park in which we made investment in developing, our new product pipeline of indoor park to complement the new economy as well as the precious Japanese IP resources of the Group. All these indicators show that our business prospect is still promising. Let us continue to work hard and make good use of the resources and experience we have accumulated over the years to open a new chapter for the cultural industry!

**Chong Heung Chung Jason**

*Chairman*

Hong Kong, 30 June 2023

# MANAGEMENT DISCUSSION AND ANALYSIS

## Industry Review

### Policy reignites gaming industry, strong consumer momentum for market rebound

The gaming industry in China went through unprecedented challenges throughout 2022 as a result of a slowdown of the domestic economy due to the Covid-19 impact. However, a clearly defined go-to-market strategy and our unique gaming IP portfolio helped us to weather the storm. Although revenue of the establishment and operation of theme parks segment decreased by 31.08% YoY and no revenue was generated from the multimedia animation entertainment segment during the year, we continued to strengthen our R&D capability and remain 301 headcounts during the tough year, hence putting ourselves in a much stronger position to expand our pipeline of new games.

Pursuant to China Gaming Report, 2022 is a critical year for the in-depth implementation of the “14th Five-Year Plan” and the promotion of the healthy development of my country’s digital economy.

Most importantly, we have been striving to optimize shareholders’ capital return as a high priority.

According to the domestic tourism data of the Ministry of Culture and Tourism of People’s Republic of China, it is estimated that the number of domestic tourists in China will be about 4.55 billion in 2023, an increase of 80% year-on-year. It underscores the Chinese government’s optimism that consumption will drive growth in the world’s second-largest economy this year. After the epidemic, with the change of consumers’ consumption habits, the domestic tourism market will also usher in a new trend. While inter-provincial travel is the mainstream, local travel and short-distance travel will still be favored by people.

According to Kyodo News, the Japan Tourism Agency announced on February 15 that the initial value of Japanese domestic travel consumption in 2022 will be 17,169.5 billion Japanese yen (about RMB879 billion). It dropped to more than 9 trillion Japanese yen in 2020 and 2021, and this recovery is close to the level of 2019 (21,931.2 billion Japanese yen) before the outbreak of the Covid-19 epidemic. The “National Travel Support” launched in October 2022 pushed up consumption.

### Self-developed games are actively expanding overseas markets, and competition in overseas markets is gradually intensifying

The overseas market of the PRC’s self-developed games continues to expand. In recent years, the growth rate of sales revenue in overseas markets has continued to be higher than the growth rate of domestic sales revenue. Chinese game companies are actively deploying and adjusting strategies in overseas markets, targeting different regions, cooperating with local companies, building overseas teams, deepening localized operations, accurately positioning market segments, and emphasizing content research and development. The overseas recognition of self-developed game products continues to rise, and the integration of Chinese culture into game products has also become an important channel for culture to go overseas.

Chinese game companies face greater challenges when going overseas. The cost of developing and operating overseas markets has increased. It is difficult to continue to increase the market share in markets that have already been developed, the cost of buying volume is rising, and the epidemic is still affecting the whole world. Secondly, the overseas game giants are undergoing redeployment changing the international market structure and impacting the advantages accumulated by Chinese companies in the mobile game market. Finally, the slowdown in domestic market growth has also objectively weakened the market share and relative competitiveness of Chinese game companies in the global market.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

During the Year under Review, the overall performance of the Group is as follows:

### 1. Trading business of animation derivatives: Pop Toy and IP culture facilitates number of orders and revenue

Global inflation is heating up and results in the rise of operating and trading costs of animation derivatives, but the popularity of Pop Toy and IP culture drove the number of orders in the entire animation derivatives market as a whole. However, due to keen market competition, many industry peers attracted customers by cutting their prices. During the Year under Review, the Group retained stable, progressive pace in its trading business by adjusting its sales strategy and providing high-quality value-added services, and continually reviewed operating costs and efficiency so as to make progress and maintain stability in the tough and challenging market environment.

### 2. Indoor theme park business: New theme park product line – JOYPOLIS SPORTS, was grandly opened in Sendai, Japan

During the Year under Review, the Group's new theme park product line – JOYPOLIS SPORTS, was grandly opened in Sendai, Japan on April 29, 2022. This is an amusement world where both disabled and able-bodied people regardless of age and gender can enjoy the fun of sports and promote the benefits of "entertainment and sports".

During the Year under Review, the Group's CA SEGA brand theme parks, including SEGA JOYPOLIS in Tokyo Japan, Shanghai JOYPOLIS and Qingdao JOYPOLIS in China, as well as kids amusement parks in different regions, have also temporarily suspended their operations but since the pandemic situation was stable compared with that of 2020, the control measures were relaxed and thus improved the ticketing revenue of the Group. However, the business collaboration with overseas partners to launch licensing theme parks have been affected due to the uncertainties caused by the pandemic.

### 3. Multimedia animation entertainment business:

During the Year under Review, the Group's licensing theme park has opened new VR (Virtual Reality) theme park area and introduced corresponding VR themed amusement equipment, which contributed to the Group's VR equipment revenue. At the same time, the Group's IP had kicked off business negotiation with different partners, who will explore different surrounding derivatives, including but not limited to theme parks, online live broadcasts and virtual platforms.

### Business Prospects

The Company is an investment holding company and the Group is principally engaged in the trading of animation derivative products, establishment and operation of indoor theme parks and multimedia animation entertainment in the PRC, Hong Kong and Japan. The Group's operations and income generated from the theme parks and animation derivatives products businesses have been severely affected by the outspreading of the Covid-19 pandemic. Since early 2020, the outbreak of Covid-19 pandemic suppressed regular business activities. In addition to the above, the Company has received statutory demands from the certain Creditors against the Company's outstanding debts from time to time and that winding-up petitions have also been filed by some of these Creditors against the Company, including but not limited to, that on 30 January 2023, two Creditors with indebtedness owed by the Company in the respective amount of HK\$11,692,523.95 and HK\$5,896,794.52 as joint petitioners filed a winding-up petition against the Company.

We try our utmost to solve the problem of insolvent liquidation. The Company issued the notice of Scheme Meeting on 5 June 2023.

The Company is pleased to announce that at the Scheme Meeting held on 27 June 2023, a total of 78 Creditors holding Scheme Claims in the aggregate principal amount of HK\$1,007,038,796 (representing 95.09% of the total value of outstanding Scheme Claims) attended and voted, in person or by proxy, at the Scheme Meeting, with a total of 73 Creditors holding Scheme Claims in the aggregate principal amount of HK\$931,304,518 (representing 87.93% of the total value of outstanding Scheme Claims) voted in favour of the Scheme. As such, the Scheme has been approved by the requisite majorities of Creditors.

The Company will submit the results of the Scheme Meeting to the Court for the sanctioning of the Scheme. The Court hearing for sanctioning the Scheme is scheduled to be heard on 8 November 2023 and 9 November 2023 unless otherwise ordered by the Court.

The Group believes that the scheme of arrangement completed with the Group's development in online business on Meta JOYPOLIS, virtual theme park, big data platform, online social media, Pop Toy platform and upgrading the operating and gaming system of CA SEGA JOYPOLIS. The Group can restart to meet any future challenge.

Although the Group is facing unprecedented challenges, the Group will still continue to actively seek stability and progress in the face of uncertainties. The Group will continue to develop and launch different types of CA SEGA JOYPOLIS theme parks (including Metaverse-themed virtual reality parks) and present them to tourists through different real and virtual scenes. Moreover, the Group will launch IP theme parks and different types of amusement facilities through the Group's rich animation IP resources to cater to different target groups, so as to explore for more surrounding derivatives consumption areas to increase income sources.

Another licensed large indoor theme park CA SEGA JOYPOLIS project (10,000 square meters or more) will be gradually 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.

"CA SEGA JOYPOLIS indoor theme park + Pop Toy Collectible e-commerce 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Prospects (Continued)

The Group has 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.

## Financial Review

The following sets forth a summary of the performance of the Group for the year ended 31 March 2023 with comparative figures for the latest year as follows:

	For the year ended 31 March	
	2023	2022
Revenue (HK\$'000)	360,302	453,136
Gross profit (HK\$'000)	19,940	62,726
Gross profit margin (%)	5.5	13.8
Loss attributable to owners of the Company (HK\$'000)	(1,033,575)	(1,050,184)

### Revenue

The revenue decreased by approximately HK\$92.8 million, or approximately 20.5%, compared to the approximately HK\$453.1 million for the year ended 31 March 2022 to approximately HK\$360.3 million for the year ended 31 March 2023. The decrease was primarily due to the decrease in the revenue from establishment and operation of indoor theme parks of HK\$84.8 million.

### Sales of animation derivative products

The revenue from sales of animation derivative products increased by approximately 6.8% from approximately HK\$161.4 million for the year ended 31 March 2022 to approximately HK\$172.4 million for the year ended 31 March 2023. The increase was primarily due to the selling price adjustment under high global inflation.

### Establishment and operation of indoor theme parks

The revenue from establishment and operation of indoor theme parks decreased by approximately 31.1% from approximately HK\$272.7 million for the year ended 31 March 2022 to approximately HK\$187.9 million for the year ended 31 March 2023. The decrease was primarily due to decrease in sales of theme park machineries.

The number of visitors based on ticket sales for the year ended 31 March 2023 remained similar level to that of the last year, at approximately 1.2 million.

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

	2023	2022
	'000	'000
PRC	553	922
Japan	606	307

During the year ended 31 March 2023, the operations of the theme parks in PRC was affected by pandemic precaution measures, while the control measure has been relaxed and the tourism industry started to recover in Japan.

## Financial Review (Continued)

### Multimedia animation entertainment

During the year ended 31 March 2022, the Group recognised approximately HK\$19.1 million revenue from multimedia animation entertainment, but such revenue was not derived for the year ended 31 March 2023. 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.

### Cost of sales and services

The cost of sales and services decreased by approximately HK\$50.0 million, or approximately 12.8%, from approximately HK\$390.4 million for the year ended 31 March 2022 to approximately HK\$340.4 million for the year ended 31 March 2023. The decrease was mainly due to the launch of a licensed indoor theme park in Zengcheng District, Guangzhou during the year ended 31 March 2022. Such relevant costs for the equipment sale, were absent for the year ended 31 March 2023.

### Gross profit and gross profit margin

The Group's gross profit decreased significantly by approximately HK\$42.8 million, or approximately 68.3%, from approximately HK\$62.7 million for the year ended 31 March 2022 to approximately HK\$19.9 million for the year ended 31 March 2023. The Group's gross profit margin decreased significantly from approximately 13.8% for the year ended 31 March 2022 to approximately 5.5% for the year ended 31 March 2023. The significant decrease in gross profit and gross profit margin was mainly due to the decrease in sales of theme park machineries for the year ended 31 March 2023 which had higher profit margin.

### Other income

Other income increased by approximately HK\$5.8 million from approximately HK\$10.6 million for the year ended 31 March 2022 to approximately HK\$16.4 million for the year ended 31 March 2023. The increase was primarily due to the gain on waiver of lease payables of HK\$11.5 million was received by SHANGHAI JOYPOLIS during the year ended 31 March 2023.

### Other gains and losses

The Group recorded a gain of approximately HK\$3.0 million for the year ended 31 March 2023, compared to a loss of approximate HK\$8.2 million for the year ended 31 March 2022. This change was due to the Group recording a net gain on a put option to a non-controlling interest of approximately HK\$1.1 million for the year ended 31 March 2023, compared to a net loss of approximately HK\$8.8 million for the year ended 31 March 2022.

### Selling and distribution expenses

The selling and distribution expenses increased by approximately HK\$54.2 million, or approximately 361.3%, from approximately HK\$15.0 million for the year ended 31 March 2022 to approximately HK\$69.2 million for the year ended 31 March 2023. The Group's selling and distribution expenses as a percentage of revenue increased from approximately 3.3% for the year ended 31 March 2022 to approximately 19.2% for the year ended 31 March 2023. The increase was primarily due to increase of marketing expenses of approximately HK\$47.4 million for the year ended 31 March 2023.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Review (Continued)

### Research and development expenses

The research and development expenses increased by approximately HK\$250.9 million from approximately HK\$11.7 million for the year ended 31 March 2022 to approximately HK\$262.6 million for the year ended 31 March 2023.

The significant increase in the research and development expenses were due to the Group's strategy is to develop the online business including the Meta JOYPOLIS, virtual theme park, big data platform, online social media, Pop Toy platform and to upgrade the operating and gaming system of CA SEGA JOYPOLIS. The Group believed that these developments of new business can significantly increase the revenue of all the business segments of the Group.

These investment in research and development were planned to be financed by equity financing of approximately HK\$215 million by a subscriber, ACCP Global Limited. Please refer to the announcement dated 1 September 2021 of the Company. Due to the violation of the subscription agreement by the subscriber and the significant impact subsequently, the Group cannot raise fund to settle the expenses but to issue bonds to the service providers during the year under review.

### Impairment losses under expected credit loss model, net of reversal

The Group recognised approximately HK\$283.7 million impairment losses under expected credit loss model, net of reversal, for the year ended 31 March 2023 (year ended 31 March 2022: HK\$537.3 million).

The impairment losses under expected credit loss model, net of reversal for the year ended 31 March 2023 comprised of impairment losses of trade receivables of approximately HK\$115.6 million (2022: approximately HK\$88.5 million), other receivables, deposits and prepayments of approximately HK\$167.6 million (2022: approximately HK\$488.8 million) and financial asset at fair value through other comprehensive income of approximately HK\$0.6 million (2022: Nil).

### Loss attributable to owners of the Company

The loss attributable to owners of the Company decreased by approximately HK\$16.6 million, or approximately 1.6%, from approximately HK\$1,050.2 million for the year ended 31 March 2022 to approximately HK\$1,033.6 million for the year ended 31 March 2023. The reasons included (i) a decrease in an impairment loss of approximately HK\$129.6 million on property, plant and equipment, right-of-use assets and intangible assets; (ii) a decrease in an impairment loss of approximately HK\$253.6 million on certain other receivables and trade receivable which have been significantly past due; and partially offset by (iii) an increase in selling, marketing and distribution expenses of approximately HK\$54.2 million; (iv) research and development expenses of approximately HK\$250.9 million; and (v) an increase in the share of loss of a joint Venture and of associates of approximately HK\$54.4 million.

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

	2023 HK\$'000	2022 HK\$'000
<b>Project</b>		
Development and establishment of new Wonder Forest	72,492	72,492
Development and establishment of new Joypolis	54,400	50,000
	<b>126,892</b>	122,492

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review (Continued)

#### Other receivables, deposits and prepayments

The amount was decreased by HK\$195.2 million from HK\$259.0 million for the year ended 31 March 2022 to HK\$63.8 million for the year ended 31 March 2023. The net movement was mainly due to impairments for past due balances of the refundable deposits for the development and establishment of new Wonder Forest and new Joypolis of approximately HK\$167.6 million.

#### 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 2023, approximately HK\$280.0 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:

	Planned use of the Net Proceeds		Actual utilised as at 31 March 2023	Unutilised as at 31 March 2023
	%	HK\$'million	HK\$'million	HK\$'million
For the capital expenditure and the working capital for the Shanghai <i>JOYPOLIS</i> and for use in planning the next <i>JOYPOLIS</i>	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	21.5	64.3	45.7	18.6
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	16.6	49.5	49.5	–
Repayment of bonds, interests and related expenses	1.9	5.7	5.7	–
<b>Total</b>	<b>100.0</b>	<b>298.6</b>	<b>280.0</b>	<b>18.6</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## Capital Structure, Liquidity and Financial Resources

As at 31 March 2023, 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\$118.2 million divided into 1,182,042,000 shares of HK\$0.1 each.

As at 31 March 2023, the cash and bank balances of the Group were approximately HK\$36.2 million (31 March 2022: approximately HK\$21.0 million). The increase was mainly due to the acquisition of loans.

As at 31 March 2023, the Group had a gearing ratio (calculate as secured bank borrowings and other borrowings, lease liabilities, guaranteed note and bonds, divided by total assets) of approximately 195.6% (31 March 2022: approximately 62.9%).

During the year ended 31 March 2023, the Company issued bonds in par in an aggregate principal amount of HK\$339.0 million (31 March 2022: HK\$83.3 million). The bonds are denominated in HK\$ and are unlisted. The bonds are unsecured and carry interest at a nominal rate ranging from zero coupon to 11.48% (2022: 5% to 9%) per annum, payable annually in arrears with a maturity period ranging from 0.8 to 2.5 years. The proceeds were mainly utilised for the settlement of service fee and professional fee, and as general working capital of the Group.

## 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.

## Mortgages and Pledges

As at 31 March 2023, no bank deposit of the Group (31 March 2022: approximately HK\$3.7 million) was pledged to a bank for banking facilities obtained.

## Contingent Liabilities

The Group did not have significant contingent liabilities as at 31 March 2023 (31 March 2022: 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Significant Events After the Reporting Period

On 21 April 2023, the Company has updated the hearing for the Second Substitution Summons on 30 January 2023 with Ms. Zou Sailan and Ms. Chen Tengfang were granted to leave to substitute as joint petitioners in the petition (the “**Joint Petitioners**”), the Company is required to file and serve affirmation to update the High Court on the outcome and developments of the Creditors’ Scheme and of the hearing under the Scheme Action on 21 April 2023.

On 2 June 2023, the Company published a joint announcement with KYOSEI-BANK CO., LTD. relating to the delay in dispatch of Circular on or before 14 July 2023.

On 27 June 2023, the Scheme Meeting was held at Regal Ballroom, Basement 1, Regal Hong Kong Hotel, Causeway Bay. By the Court Order, the Court has appointed Mr. Luk Sik Tat, being the Company Secretary of the Company be appointed to act as the Chairman of the Scheme Meeting, or failing him, any person authorized by the Company, to act as chairman of the Scheme Meeting and to report the result thereof to the Court.

The Scheme was approved at the Scheme Meeting by the requisite majorities of the creditors of the Company. The Scheme will be subject to subsequent sanction of the Court hearing scheduled on 8 November 2023 and 9 November 2023 unless otherwise ordered by the Court.

## 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 2023, the Group had 301 employees (31 March 2022: 216 employees). For the year ended 31 March 2023, 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\$72.5 million (31 March 2022: approximately HK\$85.6 million). The decrease was mainly attributable to the decrease of approximately HK\$7.0 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 28 February 2022, 42,910,000 options have been granted to the eligible Directors, employees and a consultant pursuant to the share option scheme adopted by the Company on 16 February 2015.

## 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 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Audit Committee and Review of Financial Information

The audit committee of the Board consists of three independent non-executive Directors, namely, Mr. HUNG Muk Ming (Chairman), Mr. WANG Guozhen and Mr. NI Zhenliang and have met the auditors of the Company, Messrs. KTC Partners CPA Limited, for the review of the Group's results for the year ended 31 March 2023.

The audit committee of the Board has reviewed the Company's audited consolidated financial statements for the year ended 31 March 2023 and the accounting principles and practices adopted by the Group and has discussed auditing, risk management, internal controls and financial reporting matters for the year ended 31 March 2023 with the management. They have also reviewed and approved the engagement of external auditors for providing non-audit services, the remuneration in respect of audit and non-audit services provided by external auditors, risk management and internal control systems and the effectiveness of the internal audit function.

### Additional Disclosure Regarding the Disclaimer of Opinion

#### The Audit Committee's view

The Audit Committee has carefully reviewed the basis of Disclaimer of Opinion and understood the auditor's concern and held the same view as the auditor. The Audit Committee has also reviewed the management's position above and agreed with such position addressing the issues.

The Audit Committee has reviewed the cash flow forecast in the coming 12 months prepared by the management of the Group, which was made with the following assumptions:

- a) the debt restructuring of the Group's bonds payables and amounts owed to the creditors of the Group will be successfully completed;
- b) the winding-up petitions will be successfully dismissed;
- c) additional new sources of financing as and when needed will be successfully obtained;
- d) measures to speed up the collection of outstanding sales proceeds and effectively control costs and expenses will be successfully implemented; and
- e) relationship with the Group's existing lenders will be successfully maintained such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings and other debts with principal and interest payments in default.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## Executive Directors

**Mr. CHONG Heung Chung Jason (莊向松)**, aged 54, 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. XIONG Hao (熊浩)**, aged 39, was appointed as an executive Director on 6 January 2022, has over 10 years of extensive experience in assets and investment management in asset management companies, listed companies and other financial institutions.

Mr. XIONG was the deputy general manager of Huarong (HK) International Holdings Limited from October 2014 to June 2016, and Mr. XIONG served as the executive director of Huarong International Financial Holdings Limited (Stock Code: 993), a company listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) from September 2015 to June 2016. Mr. XIONG was the president of Sunbase International (Holdings) Limited from July 2016 to December 2019, and he was the chief executive officer of TC Concord Securities Limited from January 2020 to June 2021. Mr. XIONG had also worked and taken management positions in a number of financial institutions, including YueXiu Asset Management Co., Limited and Cinda International Holdings Limited.

Mr. XIONG obtained a bachelor degree in Chemistry from Peking University in July 2006 and a doctor of philosophy in Chemistry from Hong Kong University of Science and Technology in November 2011.

**Ms. LIU Moxiang (劉茉香)**, aged 48, 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.

\* For identification purpose only

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Independent Non-Executive Directors

**Mr. NI Zhenliang (倪振良)**, aged 77, 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. WANG Guozhen (王國鎮)**, aged 64, was appointed as an independent non-executive Director of the Company on 3 November 2022. Mr. Wang holds an executive master’s degree in business administration with Cheung Kong Graduate School of Business. He joined the Ministry of Finance of the People’s Republic of China in 1982 and has served as heads of various departments. He was also officer of General Office and Bureaucratic Service Center of National Council for Social Security Fund, the standing member of council of Beijing Charity Association and the member of 11th and 12th Beijing Municipal Committee of the Chinese People’s Political Consultative Conference.

Mr. Wang acted as the executive director and vice chairman of Hsin Chong Group Holdings Limited (“**Hsin Chong**”) from September 2018 to November 2019. Hsin Chong is a company incorporated in Bermuda with limited liability and the securities of which were listed on the Main Board of The Stock Exchange until 31 December 2019. Hsin Chong was principally engaged in engineering and property businesses. Hsin Chong was wound up by an order of the Supreme Court of Bermuda dated 20 January 2020, following a winding-up petition being filed by a creditor and shareholder of Hsin Chong in January 2019. Mr. Wang confirmed that (i) the winding up had not resulted in any liability or obligation imposed against him; (ii) there was no wrongful act on his part leading to the winding up process of Hsin Chong; and (iii) he was not aware of any actual or potential claim that had been or would be made against him as a result of the winding up.

Mr. Wang also acted as an independent non-executive director of Link-Asia International MedTech Group Limited (“**Link-Asia**”) from November 2019 to April 2020 and has been acting as an executive director and the vice president of Link-Asia since April 2020.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. HUNG Muk Ming (洪木明)**, aged 58, was appointed as an independent non-executive Director on 20 November 2014.

Mr. HUNG has over 30 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), 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. From June 2014 to September 2021, Mr. HUNG was an independent non-executive director and chairman of the audit committee of Century Sage Scientific Holdings Limited (Stock code: 1450), 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 from November 2009 to July 2020, an associate of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The 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 64, 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 株式会社スタジオデーン (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 active 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.

\* For identification purpose only

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Senior Management

**Mr. LUK Sik Tat (陸適達)**, aged 48, 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 23 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 CPA Limited 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 Institute of Certified Public 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 52, 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 and deliver long-term values to all shareholders. 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.

To maintain a high standard of corporate governance, the Company set out some policies, such as Whistleblowing Policy, Anti-Corruption Policy, and other relevant policies which are communicated with the senior management and the staff.

## Corporate Governance Code

Corporate governance provides the framework within which the board forms their decisions and build their businesses. The Company is committed to achieving good corporate governance and focusing on creating long-term sustainable growth for shareholders and delivering long-term values to all shareholders. An effective corporate governance structure allows the Company to have a better understanding of, evaluate and manage, risks and opportunities.

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 2023.

## 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 2023.

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;

# CORPORATE GOVERNANCE REPORT

## Model Code for Securities Transactions by Directors (Continued)

- (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.

## 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. XIONG Hao and Ms. LIU Moxiang; and three independent non-executive Directors, Mr. NI Zhenliang, Mr. TSANG Wah Kwong (resigned with effect from 3 November 2022), Mr. WANG Guozhen (appointed with effect from 3 November 2022) and Mr. HUNG Muk Ming. The biographical details of the Directors are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" of this annual report.

The Board established mechanism to ensure independent views and input are available to the Board. The independent non-executive Directors of the Company support the effective discharge of the duties and responsibilities of the Board and bring independent views and input to the Board. In addition, the Board, Board committees or individual Directors may seek independent professional advice, views and input, which shall include but not limited to legal advice, advice of accountants and advice of other professional financial advisors, as considered necessary to fulfill their responsibilities and in exercising independent judgment when making decisions in furtherance of their Directors' duties at the Company's expense.

### 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 objectives 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 2023, 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 54 to 162 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 51 to 53.

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. During the year, the Board reviewed the compliance with the CG Code, the disclosure in the corporate governance report and the effectiveness of the risk management and internal controls systems of the Group.

# CORPORATE GOVERNANCE REPORT

## Board of Directors (Continued)

### Continuous Professional Development

During the year ended 31 March 2023, 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 2023, 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 Articles 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.

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, Mr. XIONG Hao, Mr. HUNG Muk Ming and Mr. WANG Guozhen 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;

## CORPORATE GOVERNANCE REPORT

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

- (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;
- (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 2023, the Board held eighteen 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.

## CORPORATE GOVERNANCE REPORT

### Meetings Held During the Year Ended 31 March 2023

Details of the Directors' attendance at Board meetings and Board committee meetings, held during the year ended 31 March 2023 and the annual general meeting held on 1 November 2022 ("AGM") are set out as below:

	Attended/Eligible to attend					AGM
	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Chairman and Independent non-executive Directors Meeting	
<b>Number of Meetings Held</b>	18	3	1	1	1	1
<b>Executive Directors</b>						
Mr. CHONG Heung Chung Jason	18/18	–	1/1	–	1/1	1/1
Ms. LIU Moxiang	18/18	–	–	–	–	1/1
Mr. XIONG Hao	16/18	–	–	–	–	1/1
Mr. TING Ka Fai Jeffrey	1/4	–	–	–	–	–
<b>Independent Non-executive Directors</b>						
Mr. NI Zhenliang	18/18	3/3	1/1	1/1	1/1	1/1
Mr. WANG Guozhen	6/7	2/2	–	1/1	1/1	–
Mr. HUNG Muk Ming	18/18	3/3	1/1	1/1	1/1	1/1
Mr. TSANG Wah Kwong	11/11	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 three independent non-executive Directors, namely Mr. HUNG Muk Ming, Mr. NI Zhenliang and Mr. WANG Guozhen. It is chaired by Mr. WANG Guozhen.

# CORPORATE GOVERNANCE REPORT

## Board Committees (Continued)

### Remuneration Committee (Continued)

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.

One Remuneration Committee meeting was held during the year ended 31 March 2023. 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 Heung Chung Jason, the Chairman of the Board.

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.

## Board Committees (Continued)

### Nomination Committee (Continued)

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 2023. 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. WANG Guozhen, Mr. HUNG Muk Ming and Mr. NI Zhenliang. It is chaired by Mr. HUNG Muk Ming who holds appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

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;

# CORPORATE GOVERNANCE REPORT

## Board Committees (Continued)

### Audit Committee (Continued)

- (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.

Three audit committee meetings were held during the year ended 31 March 2023.

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 2023 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 2023 to (i) review the consolidated financial statements for the year ended 31 March 2023; (ii) discuss the internal control and financial reporting matters of the Group; and (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 five Directors, namely Mr. CHONG Heung Chung Jason, Ms. LIU Moxiang, Mr. NI Zhenliang, Mr. WANG Guozhen and Mr. HUNG Muk Ming. 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 2023, no investment committee meeting was held.

## 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 2023, the remuneration paid or payable to the Company's external auditor related to audit services and other non-audit services amounted to approximately HK\$2,700,000 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 51 to 53.

## 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.

# CORPORATE GOVERNANCE REPORT

## 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 2023, the professional consulting firm reported their review work for the year ended 31 March 2023 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 2023. 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 Institute of Certified Public 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 2023, the company secretary complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

## 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.

Upon reviewing the implementation and effectiveness of the Shareholders' communication policy of the Company, the Board considers the policy and its implementation are effective as the policy provides effective channels for the Shareholders to communicate their views with the Company and the Company complied with the principles and required practices as set out in the policy during the Year.

### 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.

# CORPORATE GOVERNANCE REPORT

## 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 2023 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 2023.

## Principal Activities

The principal activity of the Company is investment holding and those of the principal subsidiaries are set forth in Note 48 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 2023, approximately HK\$280.0 million of the net proceeds had been used by the Group. The unutilised net proceeds were deposited with a licensed bank in Hong Kong. The following sets forth a summary of the utilisation of the net proceeds:

	Planned use of the Net Proceeds %	HK\$ million	Actual utilised as of 31 March 2023 HK\$ million	Unutilised as of 31 March 2023 HK\$ million
For the capital expenditure and the working capital for the Shanghai <i>JOYPOLIS</i> and for use in planning the next <i>JOYPOLIS</i>	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	21.5	64.3	45.7	18.6
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	16.6	49.5	49.5	–
Repayment of bonds, interests and related expenses	1.9	5.7	5.7	–
<b>Total</b>	<b>100.0</b>	<b>298.6</b>	<b>280.0</b>	<b>18.6</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 2023 and the financial position of the Group as of 31 March 2023 are set forth in the consolidated financial statements on pages 54 to 56.

# REPORT OF THE DIRECTORS

## 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 pages 163 to 164. 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 57 of this annual report and Note 49 to the consolidated financial statements, respectively.

## Distributable Reserves

As at 31 March 2023, the Directors were of the opinion that the Company has no distributable reserves.

## 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 48 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 2023, 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 46 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.

## 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.

## REPORT OF THE DIRECTORS

### 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.

## 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 the Share Option 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 Share Option 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.

## REPORT OF THE DIRECTORS

### 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 (resigned with effect from 15 June 2022)  
Ms. LIU Moxiang  
Mr. XIONG Hao

#### Independent Non-Executive Directors

Mr. NI Zhenliang  
Mr. TSANG Wah Kwong (resigned with effect from 3 November 2022)  
Mr. HUNG Muk Ming  
Mr. WANG Guozhen (appointed with effect from 3 November 2022)

In accordance with the Articles and the Corporate Governance Code contained in Appendix 14 to the Listing Rules, Mr. XIONG Hao, Mr. HUNG Muk Ming and Mr. WANG Guozhen 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 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.

## Related Party Transactions

Details of the related party transactions of the Group for the year ended 31 March 2023 are set forth in Note 45 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 2023, 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	134,538,000 (L)	11.38%
	Interest in persons acting in concert (Note 2)	–	Company	247,413,000 (L)	20.93%
	Spouse interest (Note 3)	–	Company	247,413,000 (L)	20.93%

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.

Save as disclosed above, as at 31 March 2023, 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.

## REPORT OF THE DIRECTORS

### Substantial Shareholders

As of 31 March 2023, 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	134,538,000	11.38
		Interest in persons acting in concert <sup>(1)</sup>	247,413,000	20.93
	Newgate (PTC) Limited as trustee of The Fortune Trust created by Mr. CHONG Heung Chung Jason	Interest in a controlled corporation <sup>(2)</sup>	134,538,000	11.38
		Interest in persons acting in concert <sup>(1)</sup>	247,413,000	20.93
	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>	134,538,000	11.38
		Interest in persons acting in concert <sup>(1)</sup>	247,413,000	20.93
	Fortress Strength Limited	Beneficial owner	26,149,000	2.21
		Interest in persons acting in concert <sup>(1)</sup>	247,413,000	20.93
	Ms. LEE Sui Fong Fiona	Interest in a controlled corporation <sup>(3)</sup>	26,149,000	2.21
		Interest in persons acting in concert <sup>(1)</sup>	247,413,000	20.93
		Spouse interest <sup>(4)</sup>	247,413,000	20.93
	Dragon Year Group Limited	Beneficial owner	49,497,000	4.19
		Interest in persons acting in concert <sup>(1)</sup>	247,413,000	20.93
	Mr. Shinichiro IKEDA	Interest in a controlled corporation <sup>(5)</sup>	49,497,000	4.19
		Personal interest	12,000,000	1.02
		Interest in persons acting in concert <sup>(1)</sup>	247,413,000	20.93

## Substantial Shareholders (Continued)

Name of Shareholders	Capacity	Number of Shares	Shareholding percentage of shares in issue (%)
Bonville Glory Limited	Beneficial owner	12,900,000	1.09
	Interest in persons acting in concert <sup>(1)</sup>	247,413,000	20.93
Mr. TING Ka Fai Jeffrey	Interest in a controlled corporation <sup>(6)</sup>	12,900,000	1.09
	Interest in persons acting in concert <sup>(1)</sup>	247,413,000	20.93
East Jumbo Development Limited	Beneficial owner	12,329,000	1.04
	Interest in persons acting in concert <sup>(1)</sup>	247,413,000	20.93
Ms. OR Den Fung Bonnie	Interest in a controlled corporation <sup>(7)</sup>	12,329,000	1.04
	Interest in persons acting in concert <sup>(1)</sup>	247,413,000	20.93
Short position	Nil	Nil	Nil

Notes:

- Pursuant to the concert party agreement, the concert parties have agreed with certain arrangements pertaining to their shareholdings. 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 of the Company dated 28 February 2015.
- Newgate (PTC) Limited is the sole shareholder of Bright Rise and it holds all the shares of Bright Rise in its capacity as the trustee of The Fortune Trust created by Mr. Chong in the Cayman Islands. The beneficiaries of The Fortune Trust currently include Mr. Chong and his family member. Bright Rise is the registered and beneficial owner of 134,538,000 Shares.
- Ms. Lee is the sole beneficial owner of all issued shares of Fortress Strength Limited which is the registered and beneficial owner of 26,149,000 Shares.
- Ms. Lee is the spouse of Mr. Chong and she is deemed to be interested in our Shares interested by Mr. Chong under the SFO.
- 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.
- 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.
- Mr. Shinichiro Ikeda is the sole beneficial owner of all issued shares of Dragon Year Group Limited which is the beneficial owner of 49,497,000 Shares.

## REPORT OF THE DIRECTORS

### Substantial Shareholders (Continued)

Save as disclosed above, as of 31 March 2023, 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 substantial shareholders of the Company (the “**Substantial 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 Substantial Shareholders in respect of the compliance with the Deed of Non-Competition for the year ended 31 March 2023.

Based on the information and confirmation provided by or obtained from each of the executive Directors and the Substantial 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 2023 and believed that each of the executive Directors and the Substantial 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 2023. The aggregate amount of royalties payable by CA Sega to SEGA Holdings amount to JPY34,853,000 (equivalent to approximately HK\$2,150,000) for the year ended 31 March 2023.

### 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 2023 (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.

\* For identification purpose only

## REPORT OF THE DIRECTORS

### 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 2023:

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	
								2023	2022
Mr. CHONG	Shenzhen Wald	1 August 2020	1 August 2020 to 31 March 2023	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	194.4	194.4
								(RMB'000)	
								(HK\$'000)	
								231.0	235.0
								(RMB'000)	
							<b>Total:</b>	<b>194.4</b>	<b>194.4</b>
								(HK\$'000)	
							<b>Total:</b>	<b>231.0</b>	<b>235.0</b>

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.

### 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	22%
– five largest customers combined	46%

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 22 to 35 in this annual report.

### Audit Committee

The audit committee consists of three independent non-executive Directors, namely Mr. WANG Guozhen, 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.

## REPORT OF THE DIRECTORS

### 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 2023 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.

### Annual General Meeting

The annual general meeting will be held on 30 August 2023. 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 2023

# 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)*

### Disclaimer of Opinion

We were engaged to audit 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 54 to 162, which comprise the consolidated statement of financial position as at 31 March 2023, 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.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Disclaimer of Opinion

#### Material uncertainties relating to going concern

As set out in Note 3.1 to the consolidated financial statements, the Group recorded a net loss of approximately HK\$1,033,146,000 for the year ended 31 March 2023, and, as at 31 March 2023, the Group recorded net current liabilities of approximately HK\$1,002,057,000 and net liabilities of approximately HK\$884,862,000. The Group’s total bank and other borrowings, bonds payable and guaranteed notes amounted to approximately HK\$956,759,000, out of which approximately HK\$856,110,000 were due for repayment or would be due for repayment within the next twelve months, while its cash and cash equivalents amounted to approximately HK\$36,242,000 only as at 31 March 2023.

As at 31 March 2023, the Group has defaulted on repayment of certain bonds payable, a guaranteed note and other borrowings of approximately HK\$321,400,000, HK\$25,000,000 and HK\$65,250,000 respectively which were included as part of current liabilities as at 31 March 2023. Furthermore, winding-up petitions were lodged with the High Court of Hong Kong by two bondholders (the “**Bondholders**”) in pursuit of the outstanding debts owed to the Bondholders. The Group has received several demand letters and statutory demands from bondholders in relation to the repayment of the overdue principals and interest. Details of which are set out in Notes 33, 36 and 51 to the consolidated financial statements.

These conditions, together with other matters set out in Note 3.1 to the consolidated financial statements, indicate the existence of material uncertainties that may cast significant doubt on the Group’s ability to continue as a going concern.

# INDEPENDENT AUDITOR'S REPORT

## Basis for Disclaimer of Opinion (Continued)

### Material uncertainties relating to going concern (Continued)

In assessing the appropriateness of the use of the going concern basis in the preparation of these consolidated financial statements, the directors of the Company have prepared a cash flow forecast covering a period of 12 months from the date of approval of the consolidated financial statements which takes into account of the plans and measures being taken by the Group to improve the Group's liquidity and financial position as set out in Note 3.1 to the consolidated financial statements. Based on the assessment made by the directors of the Company, assuming that the plans and measures can be successfully implemented or executed as scheduled, the directors are of the view that the Group is able to continue as a going concern and it is appropriate to prepare the consolidated financial statements on a going concern basis.

The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the successful eventual outcome of the abovementioned plans and measures, which as at the date of this report cannot be ascertained with reasonable certainty and are still subject to multiple uncertainties, including whether:

- (i) the debt restructuring of the Group's bonds payables and amounts owed to the creditors of the Group will be successfully completed;
- (ii) the winding-up petition will be successfully dismissed;
- (iii) additional new sources of financing as and when needed will be successfully obtained;
- (iv) measures to speed up the collection of outstanding sales proceeds and effectively control costs and expenses will be successfully implemented; and
- (v) relationship with the Group's existing lenders will be successfully maintained such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings and other debts with principal and interest payments in default.

Should the Group fail to achieve successful outcomes from the above-mentioned plans and measures, it might not be able to continue to operate as a going concern. We have not been provided with sufficient appropriate audit evidence to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the consolidated financial statements because of the lack of detailed analyse provided by management to us in relation to its plans and measures which involve future actions in its going concern assessment which takes into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements and we were unable to determine whether such adjustment were necessary.

## 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 responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA and to issue an auditors' report. We report 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

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

*Certified Public Accountants (Practising)*

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

*Audit Engagement Director*

Practising Certificate Number P04686

Hong Kong, 30 June 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	5	360,302	453,136
Cost of sales and services		(340,362)	(390,410)
Gross profit		19,940	62,726
Other income	6	16,429	10,559
Other gains and losses	7	2,957	(8,154)
Selling, marketing and distribution expenses		(69,198)	(14,954)
Administrative expenses		(155,748)	(180,067)
Research and development expenses		(262,570)	(11,678)
Share of loss of a joint venture	20	(87,743)	(18,930)
Share of loss of associates	19	(97,943)	(112,351)
Finance costs	8	(80,663)	(80,638)
Impairment loss on investment in a joint venture	20	–	(2,156)
Impairment loss on property, plant and equipment	15	–	(69,589)
Impairment loss on right-of-use assets	16	–	(20,566)
Impairment loss on intangible assets	18	(58,801)	(96,051)
Impairment loss under expected credit loss model, net of reversal	9	(283,743)	(537,296)
Loss before taxation		(1,057,083)	(1,079,145)
Taxation	10	23,937	18,679
Loss for the year	11	(1,033,146)	(1,060,466)
<b>Other comprehensive income (expense):</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement of defined benefit plans		(581)	(1,368)
Fair value gain/(loss) on financial assets at fair value through other comprehensive income			
– investment in debt instrument at fair value through other comprehensive income		594	–
– investment in equity instrument at fair value through other comprehensive income		1,021	(45,442)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of:			
– subsidiaries		(123)	5,172
Other comprehensive income/(expense) for the year		911	(41,638)
Total comprehensive expense for the year		(1,032,235)	(1,102,104)
(Loss)/profit for the year attributable to:			
Owners of the Company		(1,033,575)	(1,050,184)
Non-controlling interests		429	(10,282)
		(1,033,146)	(1,060,466)
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(1,032,430)	(1,092,459)
Non-controlling interests		195	(9,645)
		(1,032,235)	(1,102,104)
Loss per share	14		
– Basic (HK\$)		(0.87)	(1.02)
– Diluted (HK\$)		(0.87)	(1.02)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	15	118,877	190,849
Right-of-use assets	16	125,844	93,912
Goodwill	17	2,425	2,425
Intangible assets	18	2,188	94,768
Interest in associates	19	5,528	103,473
Interest in a joint venture	20	–	87,743
Financial assets at fair value through other comprehensive income	21	4,732	12,825
Deposits for acquisition of property, plant and equipment	25	72,492	72,492
Deposit for theme park development projects	25	54,400	50,000
Rental deposits		14,073	15,835
		<b>400,559</b>	<b>724,322</b>
<b>Current assets</b>			
Inventories	23	6,384	1,500
Trade receivables	24	53,924	170,054
Other receivables, deposits and prepayments	25	63,818	258,995
Financial assets at fair value through profit or loss	27	777	839
Restricted bank balances	22	793	718
Pledged bank deposits	22	–	3,725
Bank balances and cash	28	36,242	20,955
		<b>161,938</b>	<b>456,786</b>
<b>Current liabilities</b>			
Trade payables	29	6,266	15,522
Other payables and accruals	30	199,961	122,907
Amount due to a director	26	25	–
Contract liabilities	31	26,508	17,026
Tax payable		42,804	67,913
Guaranteed note	33	25,000	20,000
Bonds	36	710,376	321,416
Lease liabilities	34	32,321	35,371
Bank and other borrowings	35	120,734	99,599
		<b>1,163,995</b>	<b>699,754</b>
<b>Net current liabilities</b>		<b>(1,002,057)</b>	<b>(242,968)</b>
<b>Total assets less current liabilities</b>		<b>(601,498)</b>	<b>481,354</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>Non-current liabilities</b>			
Bonds	36	8,019	64,581
Bank and other borrowings	35	92,630	111,957
Lease liabilities	34	111,206	90,265
Long term other payables	30	–	298
Contract liabilities	31	31,706	33,885
Provision for reinstatement costs for rented premises	32	27,396	29,483
Obligation arising from a put option to a non-controlling interest	39	12,407	13,376
		<b>283,364</b>	343,845
<b>Net (liabilities)/assets</b>			
		<b>(884,862)</b>	137,509
<b>Capital and reserves</b>			
Share capital	40	118,204	118,204
Reserves		(995,048)	31,152
Equity attributable to owners of the Company		(876,844)	149,356
Non-controlling interests		(8,018)	(11,847)
<b>Total (capital deficiency)/equity</b>		<b>(884,862)</b>	137,509

The consolidated financial statements on pages 54 to 162 were approved and authorised for issue by the board of directors on 30 June 2023 and are signed on its behalf by:

Chong Heung Chung Jason  
DIRECTOR

Liu Moxiang  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Attributable to owners of the Company										
	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/(Deficit) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2021	98,170	722,261	(7,813)	(73,100)	-	-	(91,110)	524,135	1,172,543	(2,202)	1,170,341
Loss for the year	-	-	-	-	-	-	-	(1,050,184)	(1,050,184)	(10,282)	(1,060,466)
Exchange differences arising on translation of foreign subsidiaries	-	-	5,107	-	-	-	(775)	-	4,332	840	5,172
Fair value loss on investment in equity instrument at fair value through other comprehensive income	-	-	-	(45,442)	-	-	-	-	(45,442)	-	(45,442)
Remeasurement of defined benefit plans	-	-	-	-	-	-	(1,165)	-	(1,165)	(203)	(1,368)
Total comprehensive expense for the year	-	-	5,107	(45,442)	-	-	(1,940)	(1,050,184)	(1,092,459)	(9,645)	(1,102,104)
Recognition of equity-settled share based payments	-	-	-	-	-	2,562	-	-	2,562	-	2,562
Issue of shares for debt capitalisation (Note 40)	19,634	36,816	-	-	-	-	-	-	56,450	-	56,450
Issue of shares for share acquisition (Note 40)	400	9,860	-	-	-	-	-	-	10,260	-	10,260
At 31 March 2022	118,204	768,937	(2,706)	(118,542)	-	2,562	(93,050)	(526,049)	149,356	(11,847)	137,509
Loss for the year	-	-	-	-	-	-	-	(1,033,575)	(1,033,575)	429	(1,033,146)
Exchange differences arising on translation of foreign subsidiaries	-	-	23	-	-	-	-	-	23	(146)	(123)
Fair value gain on investment in equity instrument at fair value through other comprehensive income	-	-	-	1,021	-	-	-	-	1,021	-	1,021
Fair value gain on debt investments at fair value through other comprehensive income	-	-	-	594	-	-	-	-	594	-	594
Remeasurement of defined benefit plans	-	-	-	-	-	-	(493)	-	(493)	(88)	(581)
Total comprehensive expense for the year	-	-	23	1,615	-	-	(493)	(1,033,575)	(1,032,430)	195	(1,032,235)
Disposal of equity interest in a subsidiary	-	-	-	-	-	-	-	6,230	6,230	3,634	9,864
At 31 March 2023	118,204	768,937	(2,683)	(116,927)	-	2,562	(93,543)	(1,553,394)	(876,844)	(8,018)	(884,862)

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	2023 HK\$'000	2022 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Loss before taxation	(1,057,083)	(1,079,145)
Adjustments for:		
Amortisation of intangible assets	33,779	70,286
Defined benefit plans loss	1,638	1,833
Depreciation of property, plant and equipment	59,806	66,464
Depreciation of right-of-use assets	28,715	35,497
Finance costs	80,663	80,638
Net (gain)/loss on a put option to a non-controlling interest	(969)	8,794
Interest income	(50)	(7)
Loss on disposal of property, plant and equipment	1,708	465
Share of loss of associates	97,943	112,351
Share of loss/(profit) of a joint venture	87,743	18,930
Provision recognised for reinstatement costs for rented premises	140	152
Gain on fair value changes of financial assets at fair value through profit or loss	(1)	–
Share-based payments expense	–	2,562
Impairment loss on investment in joint venture	–	2,156
Impairment loss on property, plant and equipment	–	69,589
Impairment loss on right-of-use assets	–	20,566
Impairment loss on intangible assets	58,801	96,051
Impairment loss under expected credit loss model, net of reversal	283,743	537,296
Gain on waive of lease payable	(11,513)	–
Gain on lease modification	(3,058)	–
Operating cash flows before movements in working capital	(337,995)	44,478
Increase in inventories	(4,884)	(639)
Increase in trade receivables	(1,822)	(32,273)
Decrease in other receivables, deposits and prepayments	15,731	32,477
(Decrease)/increase in trade payables	(9,256)	14,155
Increase in other payables and accruals	76,755	15,147
Increase/(decrease) in contract liabilities	11,336	(77,816)
<b>CASH USED IN OPERATION</b>	<b>(250,135)</b>	<b>(4,471)</b>
Income tax (paid)/refunded	(1,173)	954
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(251,308)</b>	<b>(3,517)</b>
<b>INVESTING ACTIVITIES</b>		
Deposits paid for and purchase of property, plant and equipment	(2,392)	(15,854)
Proceeds from disposal of property, plant and equipment	9,526	–
Deposits paid for a theme park development project	(4,400)	(50,000)
Purchase of debt investments at fair value through other comprehensive income	(3,580)	–
Proceeds from disposal of investment at fair value through other comprehensive income	32,530	–
Purchase of equity investments at fair value through other comprehensive income	(19,872)	–
Release of pledged bank deposit	3,725	–
Interest received	50	7
<b>NET CASH FROM/(USED IN) INVESTING ACTIVITIES</b>	<b>15,587</b>	<b>(65,847)</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	2023 HK\$'000	2022 HK\$'000
<b>FINANCING ACTIVITIES</b>		
Proceeds from bonds issuance, net of issue expenses	339,000	83,300
New bank and other borrowings raised	46,808	205,152
Advances/(repayment to) from a director	25	(562)
Proceeds from issuance of guaranteed note	–	20,000
Repayment of bonds	(57,684)	(77,091)
Interest paid	(22,013)	(35,695)
Repayment of guaranteed note	–	(80,000)
Repayment of bank and other borrowings	(22,362)	(31,598)
Repayment of lease liabilities	(29,862)	(45,335)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>253,912</b>	<b>38,171</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>18,191</b>	<b>(31,193)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>20,955</b>	<b>56,012</b>
<b>EFFECTS OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>(2,904)</b>	<b>(3,864)</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH</b>	<b>36,242</b>	<b>20,955</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 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**”). 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, establishment and operation of indoor theme parks and multimedia animation entertainment.

The consolidated financial statements are presented in Hong Kong dollar (“**HK\$**”), 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 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 periods beginning on or after 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

Except as described below, the application of the amendments to HKFRSs in the current year has 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 HKFRS 3 Reference to the Conceptual Framework

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 April 2022. 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 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 in the current year has had no impact on the Group’s consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

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

### Impacts on application of Amendments to HKAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The Group has applied the amendments for the first time in the current year. 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*.

In accordance with the transitional provisions, the Group has applied the new accounting policy retrospectively to property, plant and equipment made available for use on or after the beginning of 1 April 2022. The application of the amendments in the current year has had no impact on the Group’s financial positions and performance.

### Impacts on application of Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The Group has applied the amendments for the first time in the current year. The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37, the unavoidable costs under a 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 (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

In accordance with the transitional provisions, the amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application, 1 April 2022.

The application of the amendments in the current year has had no impact on the Group’s financial positions and performance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

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

### Impacts on application of Amendments to HKFRSs Annual Improvements to HKFRSs 2018–2020

The Group has applied the amendments for the first time in the current year. 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.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged as at the date of initial application, 1 April 2022.

#### *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.

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

### 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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <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 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</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 a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or 1 January 2024.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

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

### *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.

### *Amendments to HKFRS 16 Lease Liability in a Sale and Leaseback*

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements of HKFRS 15 to be accounted for as a sale. The amendments require a seller-lessee to determine “lease payments” or “revised lease payments” such that the seller-lessee would not recognise a gain or loss that relates to the right of use retained by the seller-lessee. The amendments also clarify that applying the requirements does not prevent the seller-lessee from recognising in profit or loss any gain or loss relating to subsequent partial or full termination of a lease.

As part of the amendments, Illustrative Example 25 accompanying HKFRS 16 is added to illustrate the application of the requirements in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

### *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*.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 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) (Continued)*

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 2023, the application of the amendments will not result in reclassification of the Group’s liabilities as at 31 March 2023.

### *Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies.

### *Amendments to HKAS 8 Definition of Accounting Estimates*

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

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

### *Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group’s annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 March 2023, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK\$125,324,000 and HK\$143,527,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

### 3.1 Basis of preparation of consolidated financial statements

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.

#### *Going Concern*

The Group recorded a net loss of HK\$1,033,146,000 for the year ended 31 March 2023, and, as at 31 March 2023, the Group recorded net current liabilities of HK\$1,002,057,000 and net liabilities of HK\$884,862,000. The Group’s total bank and other borrowings, bonds payable and guaranteed notes amounted to HK\$956,759,000, out of which HK\$856,110,000 were due for repayment or would be due for repayment within the next twelve months, while its cash and cash equivalents amounted to HK\$36,242,000 only as at 31 March 2023.

As at 31 March 2023, the Group also has defaulted on repayment of certain bonds payable, a guaranteed note and other borrowings of approximately HK\$321,400,000, HK\$25,000,000 and HK\$65,250,000 respectively which were included as part of current liabilities as at 31 March 2023. Furthermore winding-up petitions were lodged with the High Court of Hong Kong by two bond holders (the “**Bondholders**”) in pursuit of the outstanding debts owed to them. The Group received several demand letters and statutory demands from bondholders in relation to the overdue payments of the bonds’ principals and related interest.

The conditions described above cast significant doubts on the Group’s ability to continue as a going concern. The directors are of the view that the Group will be able to raise adequate funds to enable it to operate as a going concern, based on the Group’s business forecast and cash flow projection which, inter alia, take into account the past actual operating performance of the Group and assume the following:

- (i) successfully completing the debt restructuring of its bonds payables and amounts owed to other creditors;
- (ii) successfully dismissing the winding-up petition;
- (iii) successfully obtaining additional new sources of financing as and when needed;
- (iv) successfully implementing measures to speed up the collection of outstanding sales proceeds and effectively control costs and expenses;
- (v) the successful maintenance of relationship with the Group’s existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings with interest payments in default.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.1 Basis of preparation of consolidated financial statements (Continued)

For the purpose of debt restructuring, on 12 December 2022, the Company and an independent third party investor (the “**Investor**”) entered into a legally binding term sheet in relation to the proposed restructuring which included debt restructuring of the Company by way of scheme of arrangement to be entered into between the Company and creditors of the Company under the Companies Ordinance (Cap. 622) (the “**Scheme**”), the subscription of the Company’s shares and its convertible bonds by the Investor, the capital reorganisation of the Company and change in board lot size for trading in the Company’s shares.

If the Scheme is successfully implemented and become effective, claims against and liabilities of the Company amounting to approximately HK\$1,059,089,000 will be compromised and discharged. Under the Scheme, a cash consideration of approximately HK\$160,000,000 from the net proceeds from the share subscription by the Investor will be distributed by the Company and an aggregate of 59,000,000 Company’s new shares at the issue price of HK\$0.1772 per new share will be issued and allotted by the Company for the benefit of the Scheme creditors. For details, please refer to the Company’s announcement dated 15 March 2023.

The Scheme was approved by the requisite majorities of the creditors of the Company on the scheme meeting on 27 June 2023 and pending for the Court approval in November 2023 (see Note 19).

The directors believe that, taking into account the above factors, the Group will have sufficient working capital to satisfy its present requirements for at least the next 12 months from the end of the reporting period. However, should the above financing be unavailable or the eventual outcome of the above matters be unsuccessful or unfavorable to the Group, the Group may be unable to continue as a going concern, in which case adjustments might have to be made to the carrying values of the Group’s assets to write down to their realisable values, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies

#### *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.

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### *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 larger 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).

#### *Interest in associates 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 associates and 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### *Interest in an associate and a joint venture (Continued)*

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.

#### *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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### *Revenue recognition (Continued)*

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

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.

##### *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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### 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.

###### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### *Lease (Continued)*

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

#### (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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### *Lease (Continued)*

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

#### *(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.

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) Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform*

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### *Lease (Continued)*

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

##### *(vii) 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 2022; 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).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### *Cash and cash equivalents*

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

#### *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".

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### *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*

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. In determining the present value of the Group's defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than earlier years, the Group attributes the benefit on a straight-line basis from:

- (a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service) until
- (b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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 retained earnings and will not be reclassified to profit or loss.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### *Termination benefits*

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

#### *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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### *Taxation (Continued)*

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.

#### *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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 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.

##### *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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### *Impairment on tangible and intangible assets other than goodwill (Continued)*

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 impairments 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.

#### *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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### *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. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### *Financial instruments (Continued)*

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

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

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 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 and debt instruments measured at FVTOCI. 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) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of Investments Revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

##### (iv) 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.

##### (v) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### *Financial instruments (Continued)*

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

##### (vi) 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. 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### *Financial instruments (Continued)*

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

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

##### Significant increase in credit risk (Continued)

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.

##### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### *Financial instruments (Continued)*

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

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

#### 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 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### *Financial instruments (Continued)*

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

##### (vi) 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 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.

Except for investments in debt instruments that are at FVTOCI, 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. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the Investments revaluation reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the Investments revaluation reserve in relation to accumulated loss allowance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### *Financial instruments (Continued)*

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

##### (vii) 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.

##### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### *Financial instruments (Continued)*

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

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

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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### *Financial instruments (Continued)*

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

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

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.

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.

When an existing financial liability is renegotiated in such a way that the liability is extinguished fully or partially by issuing equity instruments, it is accounted for as an extinguishment of the original financial liability and a recognition of equity instrument at the fair value upon issue with the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the consideration paid (being the fair value of the equity instruments issued), recognised to profit or loss.

##### *(vii) Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform*

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

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

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

The Group calculate ECL for the trade receivables based on the past due status as groupings of various debtors that have similar loss patterns. The ECL is based on the Group's estimated rates taking into consideration key economic variables impacting credit risk and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the estimated 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 42(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 2023, the carrying amount of property, plant and equipment was approximately HK\$118,877,000 (2022: HK\$190,849,000). 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 2023, the carrying amount of intangible assets is approximately HK\$2,188,000 (2022: HK\$94,768,000). 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 2023

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

### Estimated impairment of non-current assets relating to CA Sega Group, Huajiatai, Walita Toys (Cambodia) Company Limited and the multimedia segment

Property, plant and equipment, rights-of-use assets 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, which in the case of value in use represents, 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.

For non-current assets relating to Walita Toys (Cambodia) Company Limited, impairment loss of HK\$Nil (2022: HK\$52,019,000) and HK\$Nil (2022: HK\$7,526,000) had been recognized in respect of the property, plant and equipment and right-of-use assets respectively for the year ended 31 March 2023.

For non-current assets relating to Huajiatai, impairment loss of approximately HK\$Nil (2022: HK\$17,570,000) and HK\$Nil (2022: HK\$13,040,000) had been recognized in respect of the property, plant and equipment and right-of-use assets respectively for the year ended 31 March 2023.

For non-current assets relating to the multimedia segment, impairment loss of approximately HK\$58,801,000 has been recognized in respect of the intangible assets for the year ended 31 March 2023 (2022: HK\$96,051,000).

### Estimated impairment of assets held by Access Profit Global Enterprises Company Limited ("Access Profit")

The carrying value of the non-current assets held by Access Profit was approximately HK\$24,957,000 (2022: HK\$55,903,000) as at 31 March 2023. Management's assessment of the recoverable amount of the non-current assets held by Access Profit is described in Note 19(c).

The management assessed the recoverable amount of the non-current assets held by Access Profit by fair value less cost of disposal calculation using market approach (2022: market approach) in respect of the impairment assessment as at 31 March 2023. Key assumptions applied in the impairment assessment model include estimated market price of the major assets held by Access Profit. Impairment loss of approximately HK\$31,428,000 in respect of the assets held by Access Profit has been recognized in profit or loss during the year ended 31 March 2023 (2022: HK\$246,597,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

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

### Estimated impairment of assets held by Triple Blessing International Limited (“Triple Blessing”)

The carrying value of non-current assets held by Triple Blessing International Limited (“**Triple Blessing**”) was HK\$Nil (2022: HK\$97,351,000) as at 31 March 2023. Management’s assessment of the recoverable amount of the non-current assets held by Triple Blessing is described in Note 19(b). The management assessed the recoverable amount of the non-current assets held by Triple Blessing by value-in-use calculation using income approach in respect of the impairment assessment as at 31 March 2023. Key assumptions applied in the impairment assessment model include estimated licensing income derived from the major assets held by Triple Blessing. Impairment loss of approximately HK\$92,158,000 in respect of the assets held by Triple Blessing has been recognized in profit or loss during the year ended 31 March 2023 (2022: HK\$30,411,000).

### Estimated impairment of assets held by Lion Run Holdings Limited (“Lion Run”)

The carrying value of the non-current assets held by Lion Run Holdings Limited (“**Lion Run**”) was approximately HK\$Nil (2022: HK\$83,315,000) as at 31 March 2023. Management’s assessment of the recoverable amount of the non-current assets held by Lion Run is described in Note 19(d). The management assessed the recoverable amount of the non-current assets held by Lion Run by value-in-use calculation using income approach in respect of the impairment assessment as at 31 March 2023. Key assumptions applied in the impairment assessment model include estimated licensing income derived from the major assets held by Lion Run. Impairment loss of approximately HK\$78,873,000 in respect of the assets held by Lion Run has been recognized in profit or loss during the year ended 31 March 2023 (2022: HK\$2,434,000).

### Estimated impairment of goodwill arising from investment in Success View Global Limited (“Success View”) and assets held by Success View

The carrying value of Success View Global Limited (“**Success View**”) was approximately HK\$Nil (2022: HK\$87,743,000) as at 31 March 2023. Management’s assessment of the recoverable amount of the investment in Success View is described in Note 20. The management assessed the recoverable amount of the investment in Success View by value-in-use calculation using income approach in respect of the impairment assessment as at 31 March 2023. Key assumptions applied in the impairment assessment model include estimated licensing income derived from the major assets held by Success View. Impairment loss of HK\$Nil (2022: HK\$2,156,000) and HK\$65,995,000 (2022: HK\$308,000) in respect of the goodwill arising from investment in Success View and the assets held by Success View respectively has been recognized in profit or loss during the year ended 31 March 2023.

### Income tax

The Group is subject to income taxes in Hong Kong and overseas locations. Judgement 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 2023

## 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

	Note	2023 HK\$'000	2022 HK\$'000
Sales of animation derivative products		172,376	161,362
Sales of admission tickets		178,982	143,994
Sales of theme park machineries		7,136	127,583
Licensing income of indoor theme parks	(i)	1,808	1,114
Licensing income from multimedia animation entertainment		–	19,083
		<b>360,302</b>	453,136

Note:

- (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.

Timing of revenue recognition:

	2023 HK\$'000	2022 HK\$'000
At point in time	357,325	433,268
Over time	2,977	19,868
	<b>360,302</b>	453,136

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 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 and services 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\$2,866,000 as at 31 March 2023 (2022: HK\$14,905,000). There is generally only one performance obligation.

##### *Licensing income of indoor theme parks/multimedia animation entertainment*

Licensing income is recognised over time in accordance with the terms of the license agreements. 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 and establishment and operation of theme park.

##### *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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 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	
	2023 HK\$'000	2022 HK\$'000
Within one year	1,782	1,850
More than one year but not more than two years	1,782	18,777
More than two years	9,653	10,784
	<b>13,217</b>	<b>31,411</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	Total HK\$'000
<b>For the year ended 31 March 2023</b>				
Segment revenue	172,376	187,926	-	360,302
Segment loss	(9,051)	(376,710)	(471,042)	(856,803)
Unallocated expense				(129,786)
Unallocated other income, other gains and losses				2,688
Unallocated finance cost				(73,182)
Loss before tax				(1,057,083)
<b>For the year ended 31 March 2022</b>				
Segment revenue	161,362	272,691	19,083	453,136
Segment loss	(22,176)	(282,997)	(511,111)	(816,284)
Unallocated expense				(181,991)
Unallocated other income, other gains and losses				(7,959)
Unallocated finance cost				(72,911)
Loss before tax				(1,079,145)

- (i) There was no inter-segment revenue for the years ended 31 March 2023 and 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 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

	2023 HK\$'000	2022 HK\$'000
Sales of animation derivative products	99,470	97,202
Establishment and operation of indoor theme parks	390,465	657,092
Multimedia animation entertainment	12,917	342,978
Total segment assets	502,852	1,097,272
Property, plant and equipment	276	673
Interest in associates	2,587	12,365
Right-of-use assets	–	590
Other receivables, deposits and prepayments	11,813	28,721
Goodwill	2,425	2,425
Financial assets at FVTPL	777	839
Financial assets at FVTOCI	4,732	12,825
Restricted bank deposit	793	718
Pledged bank deposits	–	3,725
Bank balances and cash	36,242	20,955
Consolidated total assets	562,497	1,181,108

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

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

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

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

###### Segment liabilities

	2023 HK\$'000	2022 HK\$'000
Sales of animation derivative products	3,245	12,430
Establishment and operation of indoor theme parks	295,764	257,518
Total segment liabilities	299,009	269,948
Other payables and accruals	136,355	73,784
Amount due to a director	25	–
Secured bank borrowings and other borrowings	213,364	211,556
Tax payable	42,804	67,913
Lease liabilities	–	727
Bonds	718,395	385,997
Guaranteed note	25,000	20,000
Obligation arising from a put option to a non-controlling interest	12,407	13,376
Long-term payable	–	298
Consolidated total liabilities	1,447,359	1,043,599

Segment assets represent certain property, plant and equipment, right-of-use assets, intangible assets, deposits for acquisition of plant and equipment, deposits for a theme park development project, interest in associates, interest in a joint venture, inventories, trade receivables, certain other receivables, rental deposits and deposits and prepayments which are directly attributable to the relevant operating and reportable segments.

Segment liabilities represent trade 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 2023

## 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>2023</b>						
Amounts included in the measurement of segment profit or loss and segment assets:						
Additions to property, plant and equipment and right-of-use assets	-	12,761	-	12,761	12	12,773
Depreciation and amortisation of property, plant and equipment, intangible assets and right-of-use assets	195	87,482	33,674	121,351	949	122,300
Share of loss of associates	-	1,454	86,712	88,166	9,777	97,943
Share of loss of a joint venture	-	-	87,743	87,743	-	87,743
Impairment loss on intangible assets	-	-	58,801	58,801	-	58,801
Impairment loss under expected credit loss model, net of reversal	290	239,001	43,622	282,913	830	283,743
Research and development costs	-	100,537	162,033	262,570	-	262,570
Finance costs	-	7,481	-	7,481	73,182	80,663
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:						
Taxation	24,289	(352)	-	23,937	-	23,937
<b>2022</b>						
Amounts included in the measurement of segment profit or loss and segment assets:						
Additions to property, plant and equipment and right-of-use assets	-	23,503	-	23,503	-	23,503
Depreciation and amortisation of property, plant and equipment, intangible assets and right-of-use assets	2,761	96,642	66,933	166,336	5,911	172,247
Share of loss of associates	-	908	32,611	33,519	78,832	112,351
Share of loss of a joint venture	-	-	18,930	18,930	-	18,930
Impairment loss on investment in a joint venture	-	-	2,156	2,156	-	2,156
Impairment loss on property, plant and equipment	52,020	17,569	-	69,589	-	69,589
Impairment loss on intangible assets	-	-	96,051	96,051	-	96,051
Impairment loss on right-of-use assets	7,526	13,040	-	20,566	-	20,566
(Reversal of)/impairment loss under expected credit loss model, net of reversal	(110)	231,748	305,658	537,296	-	537,296
Finance costs	-	7,728	-	7,728	72,910	80,638
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:						
Taxation	22,458	(3,779)	-	18,679	-	18,679

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, finance costs and certain other 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 2023

### 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

	2023 HK\$'000	2022 HK\$'000
PRC	23,863	204,329
Hong Kong	78,120	60,055
Japan	258,319	188,752
	<b>360,302</b>	453,136

##### Non-current assets by geographical location

	2023 HK\$'000	2022 HK\$'000
PRC*	317,819	602,250
Hong Kong	303	1,338
Japan	61,154	87,629
Cambodia	2,478	4,445
	<b>381,754</b>	695,662

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

##### 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 sales of animation derivative products and sales of theme park machineries, are as follows:

	2023 HK\$'000	2022 HK\$'000
Customer A <sup>1</sup>	–	96,589
Customer B <sup>2</sup>	78,120	60,055
Customer C <sup>2</sup>	44,087	N/A*

<sup>1</sup> Revenue from sales of theme park machineries and licensing of theme park operation right.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

### 6. Other Income

	2023 HK\$'000	2022 HK\$'000
Interest income	50	7
Government grants (Note)	4,059	9,337
Gain on waiver of debt	–	379
Gain on waiver of lease payables	11,513	–
Others	807	836
	<b>16,429</b>	<b>10,559</b>

Note: Included in the government grants are amounts of approximately HK\$192,000 (2022: HK\$Nil) and HK\$1,371,000 (2022: HK\$4,544,000) 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

	2023 HK\$'000	2022 HK\$'000
Net exchange gain	632	1,051
Gain on lease modification	3,058	–
Net gain/(loss) on a put option to a non-controlling interest	969	(8,794)
Loss on disposal of property, plant and equipment	(1,708)	(465)
Gain on financial asset at fair value through profit or loss	1	–
Other gain	5	54
	<b>2,957</b>	<b>(8,154)</b>

### 8. Finance Costs

	2023 HK\$'000	2022 HK\$'000
Interest expenses on bank borrowings	1,777	1,865
Interest expenses on other borrowings	12,290	5,247
Effective interest expenses on guaranteed note	7,932	5,751
Effective interest expenses on bonds	51,082	59,529
Interest on margin account	61	–
Interest on lease liabilities	7,508	8,246
Interest on bank overdraft	13	–
	<b>80,663</b>	<b>80,638</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

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

	2023 HK\$'000	2022 HK\$'000
Provision for impairment losses recognised on:		
– Trade receivables	115,616	88,455
– Other receivables and deposits	167,557	448,841
– Financial asset at fair value through other comprehensive income	570	–
	<b>283,743</b>	<b>537,296</b>

### 10. Taxation

	2023 HK\$'000	2022 HK\$'000
The tax credit comprises:		
Hong Kong Profits Tax:		
Current tax	–	4,337
Overprovision in prior years	(24,289)	(26,795)
PRC Enterprise Income Tax (“EIT”)	–	4,407
Corporate tax in Japan		
Current tax	352	217
	<b>(23,937)</b>	<b>(17,834)</b>
Deferred taxation for the year	–	(845)
	<b>(23,937)</b>	<b>(18,679)</b>

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 23.25% (2022: 23.25%) on the estimated assessable profit. Pursuant to relevant laws and regulations in Japan, withholding tax is imposed at 20.42% (2022: 20.42%) and 5% (2022: 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 2023

### 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 2023, and after seeking professional advice, the directors believe that the risk of the IRD issuing an additional assessment for year of assessment 2016/17 in respect of its offshore income claim for the year of assessment is low. Accordingly, the tax provision of approximately HK\$24,289,000 for the year of assessment 2016/17 was reversed during the year ended 31 March 2023 (2022: HK\$26,795,000 for the year of assessment 2015/16).

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 2023, 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 2023 would be HK\$23,272,000 after considering the overprovision of year of assessment 2016/17 (2022: HK\$47,620,000 for the overprovision of year of assessment 2015/16). 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:

	2023 HK\$'000	2022 HK\$'000
Loss before taxation	(1,057,083)	(1,079,145)
Notional tax on profit before taxation, calculated at the rates applicable to the tax jurisdictions concerned	(174,419)	(178,059)
Tax effect of share of result of associates	29,620	21,661
Tax effect of share of result of a joint venture	1,021	356
Tax effect of expenses not deductible for tax purpose	90,739	157,502
Tax effect of income not taxable for tax purpose	(3,934)	(5,386)
Tax effect of tax concession granted by government authority	–	(175)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,472	1,740
Tax effect of tax losses not recognised	56,475	19,223
Utilisation of tax losses previously not recognised	(622)	(8,746)
Overprovision of taxation in prior years	(24,289)	(26,795)
	(23,937)	(18,679)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 11. Loss for the Year

	Note	2023 HK\$'000	2022 HK\$'000
Loss for the year has been arrived at after charging:			
Staff costs:			
Directors' emoluments		4,957	5,423
Other staff costs			
Salaries and other benefits	(i)	61,896	68,943
Retirement benefit schemes		8,817	9,506
Defined benefits costs		1,769	1,680
Share-based payments expense		–	1,862
		<b>72,482</b>	<b>87,414</b>
Auditor's remuneration			
– audit services		3,227	3,038
Cost of inventories recognised as expenses			
– sales of animation derivative products		141,258	113,972
– sales of theme park machineries		3,976	82,931
Building management fee (included in cost of sales and services)		14,290	14,234
Legal and professional fees (included in administrative expenses)		54,537	37,216
Depreciation of property, plant and equipment			
– Cost of sales and services		58,749	59,205
– Administrative expenses		1,057	7,259
Depreciation of right-of-use assets			
– Cost of sales and services		27,685	32,707
– Administrative expenses		630	2,355
– Research and development cost		400	435
Amortisation of intangible assets			
– Cost of sales and services		473	5,619
– Administrative expenses		33,306	64,667
Research and development costs for			
– Operation of indoor theme parks		100,537	8,705
– Multimedia animation entertainment		162,033	2,973

Note:

- (i) Total salaries and other benefits amounting to approximately HK\$34,094,000 (2022: HK\$35,467,000) are included in cost of sales and services and amounting to approximately HK\$22,420,000 (2022: HK\$26,854,000) are included in administrative expenses.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

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

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

The emoluments paid or payable to each of the eight (2022: seven) directors of the Company are as follows:

#### For the year ended 31 March 2023

	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 (resigned on 15 June 2022)	138	196	5	-	-	339
Ms. Liu Moxiang	374	-	26	-	-	400
Mr. Xiong Hao	1,500	-	-	-	-	1,500
	<b>3,068</b>	<b>940</b>	<b>49</b>	<b>150</b>	<b>-</b>	<b>4,207</b>
Independent non-executive directors:						
Mr. Ni Zhenliang	250	-	-	-	-	250
Mr. Wang Guozhen (appointed on 3 November 2022)	103	-	-	-	-	103
Mr. Tsang Wah Kwong (resigned on 3 November 2022)	147	-	-	-	-	147
Mr. Hung Muk Ming	250	-	-	-	-	250
	<b>750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>750</b>
	<b>3,818</b>	<b>940</b>	<b>49</b>	<b>150</b>	<b>-</b>	<b>4,957</b>

#### For the year ended 31 March 2022

	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 (resigned on 15 June 2022)	660	940	18	133	260	2,011
Ms. Liu Moxiang	392	13	29	-	260	694
Mr. Xiong Hao (appointed on 6 January 2022)	-	-	-	-	-	-
	<b>2,108</b>	<b>1,697</b>	<b>65</b>	<b>283</b>	<b>520</b>	<b>4,673</b>
Independent non-executive directors:						
Mr. Ni Zhenliang	250	-	-	-	-	250
Mr. Tsang Wah Kwong	250	-	-	-	-	250
Mr. Hung Muk Ming	250	-	-	-	-	250
	<b>750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>750</b>
	<b>2,858</b>	<b>1,697</b>	<b>65</b>	<b>283</b>	<b>520</b>	<b>5,423</b>

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 2023

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

### Employees

Of the five individuals with the highest emoluments in the Group, two (2022: two) were directors and the chief executive of the Company whose emoluments are included above. The emoluments of the remaining three (2022: three) individuals were as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries and other benefits	2,893	2,936
Retirement benefit scheme contributions	18	14
	<b>2,911</b>	<b>2,950</b>

Their emoluments were within the following bands:

	2023	2022
Nil to HK\$1,000,000	2	1
HK\$1,000,001 to HK\$1,500,000	1	2

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 2023 and 2022. None of the directors nor the chief executive waived or agreed to waive any emoluments during the years ended 31 March 2023 and 2022.

## 13. Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 March 2023 (2022: Nil).

## 14. Loss Per Share

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$1,033,575,000 (2022: HK\$1,050,184,000) and the weighted average of 1,182,042,000 ordinary shares (2022: 1,033,664,000 ordinary shares) in issue during the year.

### (b) Diluted loss per share

For the years ended 31 March 2023 and 2022, diluted loss per share attributable to owners of the Company were the same as the basic loss per share because the computation of diluted loss 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 2023 and 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 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 2021	355,602	56,450	9,514	52,417	473,983
Additions	6,077	415	221	9,142	15,855
Disposals	(18)	(1,464)	(168)	–	(1,650)
Transfer from right-of-use assets	–	18,080	–	–	18,080
Exchange adjustments	2,092	(527)	19	(407)	1,177
<b>At 31 March 2022</b>	<b>363,753</b>	<b>72,954</b>	<b>9,586</b>	<b>61,152</b>	<b>507,445</b>
Additions	1,057	1,279	56	–	2,392
Disposals	(93)	(16,523)	(8)	(8,175)	(24,799)
Exchange adjustments	(12,469)	(17,524)	(685)	(388)	(31,066)
<b>At 31 March 2023</b>	<b>352,248</b>	<b>40,186</b>	<b>8,949</b>	<b>52,589</b>	<b>453,972</b>
<b>DEPRECIATION AND IMPAIRMENT</b>					
At 1 April 2021	134,580	27,007	7,622	–	169,209
Provided for the year	59,954	5,823	687	–	66,464
Eliminated on disposals	(18)	(984)	–	–	(1,002)
Transfer from right-of-use assets	–	8,955	–	–	8,955
Exchange adjustments	2,087	1,291	3	–	3,381
Impairment loss	42,480	3,084	250	23,775	69,589
<b>At 31 March 2022</b>	<b>239,083</b>	<b>45,176</b>	<b>8,562</b>	<b>23,775</b>	<b>316,596</b>
Provided for the year	54,892	4,571	343	–	59,806
Eliminated on disposals	(92)	(13,472)	(1)	–	(13,565)
Exchange adjustments	(11,356)	(15,754)	(632)	–	(27,742)
<b>At 31 March 2023</b>	<b>282,527</b>	<b>20,521</b>	<b>8,272</b>	<b>23,775</b>	<b>335,095</b>
<b>CARRYING VALUES</b>					
At 31 March 2023	69,721	19,665	677	28,814	118,877
At 31 March 2022	124,670	27,778	1,024	37,377	190,849

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
Plant and machinery	5 years to 10 years
Furniture, fixtures and equipment	5 years

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

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

### Impairment test on property, plant and equipment and right-of-use assets in Huajiatai (Shanghai) Indoor Amusement Co., Ltd. (“Huajiatai”)

In view of the operating loss of Huajiatai during the year ended 31 March 2023, the directors of the Company have performed impairment assessment on the property, plant and equipment and right-of-use assets with carrying amount, before adjustments for the results of impairment assessment, as at 31 March 2023 of approximately HK\$41,137,000 (2022: HK\$83,627,000) and HK\$88,435,000 (2022: HK\$62,066,000) respectively, with aggregate carrying amount of HK\$129,572,000 (2022: HK\$145,693,000), belonging to Huajiatai, which is principally engaged in operation of one of the Group’s indoor theme parks in the PRC. Management’s assessment on the recoverable amounts of the property, plant and equipment and right-of-use assets was performed based on assessment of the recoverable amount of Huajiatai as a single cash generating unit. The recoverable amount of this cash generating unit has been determined by an independent professional valuer, Vincorn Consulting and Appraisal Limited (“**Vincorn**”), based on value-in-use calculations. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period (2022: 5-year) with a growth rate of 3% to 7% (2022: 2%) per annum being applied for estimated ticket price and number of visitors, direct costs and expenses during the 5-year projection. The pre-tax discount rate in measuring the amount of value in use is 25.9% (2022: 23.2%) per annum in relation to this cash generating unit. The cash-flows beyond the 5-year period are extrapolated using a steady 3% growth rate (2022: 3%). The growth rate of 3% 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.

Based on the valuation report prepared by Vincorn, impairment loss of HK\$Nil and HK\$Nil was recognised for property, plant and equipment and right-of-use assets the year ended 31 March 2023 respectively (2022: HK\$17,570,000 and HK\$13,040,000 respectively). The impairment loss for the year ended 31 March 2022 was mainly due to significant decrease in the budgeted revenue due to the prolonged impact of COVID-19 on the financial performance of Huajiatai during the year.

### Impairment test on property, plant and equipment and right-of-use assets relating to Walita Toys (Cambodia) Company Limited (“Walita”)

During the year ended 31 March 2022, in view of the significant adverse change in the economic environment in which Walita operates, the directors of the Company have performed impairment assessment on the property, plant and equipment with carrying amounts, before adjustments for the results of impairment assessment, as at 31 March 2022 of approximately HK\$55,902,000 and right-of-use assets with carrying amount of approximately HK\$8,088,000, with aggregate carrying amount of approximately HK\$63,990,000 which belong to Walita in the sales of animation derivative products segment. Management’s assessment on the recoverable amount of these assets was performed based on assessment of the recoverable amount of Walita as a single cash generating unit.

The recoverable amount of this cash generating unit has been determined by Vincorn, based on value-in-use calculations. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period with a growth rate of 3% per annum being applied for estimated selling price, direct costs and expenses during the 5-year projection. The pre-tax discount rate in measuring the amount of value in use is 15.8% per annum in relation to this cash generating unit. The cash-flows beyond the 5-year period are extrapolated using a steady 1% growth rate. 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.

Based on the valuation report prepared by Vincorn, the recoverable amount of the cash generating unit relevant to Walita is approximately HK\$4,445,000, and impairment loss of HK\$52,019,000 and HK\$7,526,000 was recognised for property, plant and equipment and right-of-use assets for the year ended 31 March 2022 respectively. The impairment loss for the year ended 31 March 2022 was arose mainly from the significant decrease in the budgeted revenue due to the prolonged impact of COVID-19 on the financial performance of Walita during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 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 2021	185,203	10,484	30,593	226,280
Addition	7,648	–	–	7,648
Effect of foreign currency exchange difference	(1,982)	–	(1,249)	(3,231)
Transfer to property, plant and equipment	–	–	(18,080)	(18,080)
<b>As at 31 March 2022</b>	<b>190,869</b>	<b>10,484</b>	<b>11,264</b>	<b>212,617</b>
Addition	1,448	–	8,933	10,381
Effect of foreign currency exchange difference	(16,712)	–	(1,336)	(18,048)
Lease modification	59,360	–	–	59,360
Termination of lease	(5,085)	–	–	(5,085)
<b>As at 31 March 2023</b>	<b>229,880</b>	<b>10,484</b>	<b>18,861</b>	<b>259,225</b>
<b>Accumulated depreciation and impairment</b>				
As at 1 April 2021	59,355	1,810	11,854	73,019
Depreciation charge	33,145	587	1,765	35,497
Effect of foreign currency exchange difference	(1,252)	–	(170)	(1,422)
Transfer to property, plant and equipment	–	–	(8,955)	(8,955)
Impairment loss (Note 15)	13,040	7,526	–	20,566
<b>As at 31 March 2022</b>	<b>104,288</b>	<b>9,923</b>	<b>4,494</b>	<b>118,705</b>
Depreciation charge	27,222	41	1,452	28,715
Effect of foreign currency exchange difference	(7,838)	–	(1,116)	(8,954)
Termination of lease	(5,085)	–	–	(5,085)
<b>As at 31 March 2023</b>	<b>118,587</b>	<b>9,964</b>	<b>4,830</b>	<b>133,381</b>
<b>Carrying Value</b>				
As at 31 March 2023	111,293	520	14,031	125,844
As at 31 March 2022	86,581	561	6,770	93,912
			<b>2023</b>	2022
			<b>HK\$'000</b>	HK\$'000
Expenses relating to low value and short-term leases			<b>5,911</b>	1,864
Total cash outflow for leases			<b>29,862</b>	45,335

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 47 years (2022: 48 years).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 17. Goodwill

	HK\$'000
<b>CARRYING VALUES</b>	
At 1 April 2021	2,450
Exchange adjustments	(25)
At 31 March 2022 and 2023	2,425

### Impairment Testing on Goodwill

For the purposes of impairment testing, goodwill with carrying amount of approximately HK\$2,425,000 (2022: HK\$2,425,000), property, plant and equipment with carrying amount of approximately HK\$43,667,000 (2022: HK\$77,473,000 ) and right-of-use assets with carrying amount of approximately HK\$36,887 (2022: HK\$43,734,000), with aggregate carrying amount of approximately HK\$82,979,000 (2022: HK\$123,632,000), have been allocated to an individual cash-generating unit 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 Vincorn (2022: Vincorn), 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 5-year period (2022: 5-year) with a growth rate of 1.5% (2022: 1%) per annum being applied to projected revenue and cost of sales. The pre-tax discount rate in measuring the amount of value-in-use is 22.9% (2022: 20.3%) per annum in relation to this cash-generating unit. Cash flows beyond the five-year period is extrapolated using a steady 1.5% (2022: 1%) growth rate. Cash flow projections during the forecast period for the cash-generating units are based on the expected revenue and gross margins during the forecast period. Forecasted revenue and gross margins were determined based on past performance and the management’s expectations for the market development.

During the year ended 31 March 2023, 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 (2022: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 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)	Trademark HK\$'000 (note iv)	Total HK\$'000
<b>COST</b>					
At 1 April 2021	192,788	112,270	2,279	26,052	333,389
Exchange adjustments	–	–	–	(259)	(259)
At 31 March 2022 and 2023	192,788	112,270	2,279	25,793	333,130
<b>AMORTISATION AND IMPAIRMENT</b>					
At 1 April 2021	30,169	17,847	1,596	22,413	72,025
Charge for the year	42,456	24,223	227	3,380	70,286
Impairment loss	51,475	44,576	–	–	96,051
At 31 March 2022	124,100	86,646	1,823	25,793	238,362
Charge for the year	23,533	10,018	228	–	33,779
Impairment loss	44,192	14,609	–	–	58,801
<b>At 31 March 2023</b>	<b>191,825</b>	<b>111,273</b>	<b>2,051</b>	<b>25,793</b>	<b>330,942</b>
<b>CARRYING VALUES</b>					
At 31 March 2023	963	997	228	–	2,188
At 31 March 2022	68,688	25,624	456	–	94,768

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.
- (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.
- (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) 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.

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	2–5 years
Animation characters	5 years
Indoor theme park right	10 years
Trademark	5 years

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 18. Intangible Assets (Continued)

### Impairment assessment

#### (a) *Film rights and applications and animation characters acquired before 1 April 2020*

##### Year ended 31 March 2023

The intended use of certain film rights and application and animation characters acquired before 1 April 2020 is for licensing the right to certain licensees to collect licensing fee.

However, due to the non-execution of some previously negotiated licensing agreements and the failure of the management to solicit alternative customers to use these intangible assets, the management considered that the recoverable amount of the film rights and application and animation characters acquired before 1 April 2020 to be minimal and full impairment loss on these film rights and application and animation characters is recognised. During the year ended 31 March 2023, impairment loss of approximately HK\$44,192,000 and HK\$9,594,000 have been recognised for the film rights and application and animation characters, respectively.

##### Year ended 31 March 2022

Film rights and applications with carrying amount of approximately HK\$117,763,000 (before impairment) and a shop design classified as Animation Characters with carrying amount of approximately HK\$33,413,000 (before impairment), with aggregate carrying amount of approximately HK\$151,176,000 as at 31 March 2023 are identifiable assets which generate cash flows largely independent of the cash flows from other intangible assets in the other CGUs as disclosed in Notes 15 and 17. 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 2022. The recoverable amounts of the film rights and applications and the shop design as at 31 March 2022 have been determined by external valuation experts, AP Appraisal Limited (“AP”), 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 post-tax 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, which is based on the expected license period and the expected useful lives of intangible assets. Growth rate of -5% to 0% per annum is applied during the 5 year period. Due to non-execution of part of the licensing agreements during the year ended 31 March 2022, which was primarily due to the outbreak of COVID-19, the FVLCO of the intangible assets have been adversely affected. As a result, impairment loss of approximately HK\$51,475,000 and HK\$19,022,000 has been recognised in profit or loss during the year ended 31 March 2022 for film rights and applications and animation characters respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 18. Intangible Assets (Continued)

### Impairment assessment (Continued)

#### (b) Animation characters acquired through acquisition of Flourishing Emerald Limited

##### Year ended 31 March 2023

The intended use of certain animation characters acquired through acquisition of a subsidiary, Flourishing Emerald Limited, is for licensing the right to certain licensees to collect licensing fee.

However, due to the non-execution of some previously negotiated licensing agreements and the failure of the management to solicit alternative customers to use these intangible assets, the management considered that the recoverable amount of the animation characters acquired through acquisition of Flourishing Emerald Limited to be minimal and full impairment loss on these film rights and application and animation characters is recognised. During the year ended 31 March 2023, impairment loss of approximately HK\$5,015,000 have been recognised.

##### Year ended 31 March 2022

The Animation Characters acquired through acquisition of Flourishing Emerald Limited with carrying amount of approximately HK\$32,796,000 (before impairment) are identifiable assets which generate cash flows largely independent of the cash flows from other intangible assets in the other CGUs as disclosed in notes 15 and 17. A separate impairment assessment has 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 2022. The recoverable amounts of the animation characters as at 31 March 2022 have been determined by external valuation experts, AP, based on 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 post-tax discount rate of 18%). The discount rate adopted is by reference to 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, which is based on the license period. Growth rate of -5% to 0% per annum is applied during the 5 years period.

Due to non-execution of part of the licensing agreements during the year ended 31 March 2022, which was primarily due to the outbreak of COVID-19, the FVLCO of the intangible assets have been adversely affected. As a result, impairment loss of approximately HK\$25,554,000 has been recognised in profit or loss during the year ended 31 March 2022.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 19. Interest in Associates

	2023 HK\$'000	2022 HK\$'000
Cost of unlisted investment	207,598	207,598
Share of post-acquisition profit and other comprehensive income	(202,070)	(104,125)
	5,528	103,473

Details of the Group's material associates as at 31 March 2023 and 2022 are as follows:

Name of associate	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
			2023	2022	2023	2022	
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	RMB25,000,000	20%	20%	20%	20%	Operation of indoor theme park
Triple Blessing International Limited ("Triple Blessing")	BVI	HK\$138,121,000	48%	48%	48%	48%	Development and licensing of IP rights
Lion Run Holdings Limited ("Lion Run")	BVI	HK\$91,875,000	48%	48%	48%	48%	Development and licensing of IP rights
Access Profit Global Enterprises Group Limited ("Access Profit")	BVI	HK\$295,263,000	31%	31%	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 unilaterally, the Directors 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 associate are accounted for using the equity method in these unaudited consolidated financial statements.

### (a) Changzhou Joypolis

	2023 HK\$'000	2022 HK\$'000
Non-current assets	11,154	16,939
Current assets	3,550	5,039
Current liabilities	–	(4)
Revenue for the year	–	–
Loss and total comprehensive expense for the year	(7,269)	(4,542)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

### 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:

	2023 HK\$'000	2022 HK\$'000
Net assets of Changzhou Joypolis	14,704	21,974
Proportion of the Group's ownership interest in Changzhou Joypolis	20%	20%
Carrying amount of the Group's interest in Changzhou Joypolis	2,941	4,395

#### (b) Triple Blessing

	2023 HK\$'000	2022 HK\$'000
Non-current assets	–	97,351
Current liabilities	(15)	(1)
Revenue for the year	–	–
Loss for the year	(97,364)	(49,915)
Other comprehensive income for the year	–	–
Total comprehensive loss for the year	(97,364)	(49,915)

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

	2023 HK\$'000	2022 HK\$'000
Net (liabilities)/assets of Triple Blessing	(15)	97,350
Proportion of the Group's ownership interest in Triple Blessing	48%	48%
Carrying amount of the Group's interest in Triple Blessing (Note)	–	46,728

Note: The Group does not recognize further losses and total comprehensive losses for the investment in Triple Blessing for the year ended 31 March 2023 because the Group's share of losses in the associate has accumulated up to its interest in the associate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 19. Interest in Associates (Continued)

### (b) Triple Blessing (Continued)

#### *Impairment assessment*

*Year ended 31 March 2023*

Triple Blessing held intangible assets – animation characters and entered into a licensing contract with an independent third party (the “**Licensee A**”) in September 2020 for licensing the right of using the intangible assets. However, up to the date of this report, Triple Blessing is not able to collect any consideration from Licensee A and has lost contact with Licensee A. Triple Blessing has taken legal action against Licensee A to recover the trade receivable from Licensee A.

Triple Blessing has also tried to solicit other potential licensees for using its intangible assets during the year but was not successful. The management of Triple Blessing thus considered that the recoverable amount of the intangible assets held by Triple Blessing is minimal and full impairment loss of intangible assets is recognised in the financial statements of Triple Blessing.

*Year ended 31 March 2022*

In view of the prolonged impact of COVID-19 pandemic and Triple Blessing experienced delay in receiving settlement of trade receivables from customers, the directors of the Company had performed impairment assessment on the intangible assets held by Triple Blessing.

The recoverable amount of the cash generating unit to which the intangible assets were allocated for impairment assessment purpose had been determined by Vincorn based on value-in-use calculations. The pre-tax discount rate in measuring the amount of value-in-use was 18.8% per annum in relation to this cash generating unit.

The discounted cash flow analysis used cash flow projections with a negative growth rate ranging from 25% to 35% per annum being applied for estimated licensing income. The negative growth rate reflected the expected useful life and usage pattern of the IP held by Triple Blessing. The key assumptions also included budgeted licensing income and budgeted gross margins based on management’s past experience and management expectations of market development.

Based on the valuation report prepared by Vincorn, the recoverable amount of the intangible assets held by Triple Blessing was approximately HK\$97,351,000, and impairment loss of approximately HK\$30,411,000 was recognised for the year ended 31 March 2022 in Triple Blessing’s financial statements, which arose mainly due to significant decrease in the budgeted licensing income due to the prolonged impact of COVID-19 on the financial performance of Triple Blessing during the year ended 31 March 2022. The Group’s share of the impairment loss was included in the share of loss of associates.

### (c) Access Profit

	2023 HK\$'000	2022 HK\$'000
Non-current assets	24,597	55,903
Current assets	2	13
Current liabilities	(16,287)	(16,064)
Loss for the year	(31,540)	(248,536)
Other comprehensive loss for the year	–	(5,755)
Total comprehensive loss for the year	(31,540)	(254,291)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

### 19. Interest in Associates (Continued)

#### (c) Access Profit (Continued)

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

	2023 HK\$'000	2022 HK\$'000
Net assets of Access Profit	8,312	39,852
Proportion of the Group's ownership interest in Access Profit	31%	31%
Carrying amount of the Group's interest in Access Profit	2,577	12,354

#### Impairment assessment

During the years ended 31 March 2023 and 2022, as Access Profit has not commenced operation and incurred loss, the directors of the Company have performed impairment assessment on a leasehold land in the PRC (the "Land") held by Access Profit. The recoverable amount of the leasehold land held by Access Profit has been determined by AP based on fair value less costs of disposal ("FVLCO").

The FVLCO of the Land held by Access Profit is estimated by reference to the FVLCO, based on recent market transactions of comparable Land. Since Access Profit has not yet commenced for the Land development due to lack of funds and prolonged impact from COVID-19 in the PRC in the past few years; below is a summary of the valuation techniques used and the key inputs to the valuation of the Land.

Valuation techniques	Significant unobservable inputs	Range	Relationship of unobservable inputs to fair value
Sales comparison method	Estimated market price per square meter (RMB)	RMB152-162 (2022: RMB226-412) per square meter	the higher the market price, the higher the fair value

Apart from the considerations described above in determining the FVLCO of the Land held by 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 market price of market comparable.

The fair values less cost of disposal of the Land held by Access Profit is classified as level 3 measurement.

Based on the valuation report prepared by AP, the recoverable amount of the Land held by Access Profit is approximately HK\$24,178,000 (2022: HK\$55,903,000), and impairment loss of HK\$31,428,000 (2022: HK\$246,597,000) was recognized for the year ended 31 March 2023 in Access Profit's financial statements. The Group's share of the impairment loss is included in the share of loss of associates.

#### (d) Lion Run

	2023 HK\$'000	2022 HK\$'000
Non-current assets	-	83,315
Current assets	-	-
Current liabilities	(32)	(14)
Revenue for the year	-	-
Loss for the year	(83,336)	(18,026)
Other comprehensive income for the year	-	-
Total comprehensive expense for the year	(83,336)	(18,026)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 19. Interest in Associates (Continued)

### (d) Lion Run (Continued)

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

	2023 HK\$'000	2022 HK\$'000
Net (liabilities)/assets of Lion Run	(32)	83,301
Proportion of the Group's ownership interest in Lion Run	48%	48%
Carrying amount of the Group's interest in Lion Run (Note)	–	39,984

Note: The Group does not recognize further losses and total comprehensive losses for the investment in Lion Run for the year ended 31 March 2023 because the Group's share of losses in the associate has accumulated up to its interest in the associate.

#### *Impairment assessment*

##### *Year ended 31 March 2023*

Lion Run held intangible assets – animation characters and entered into a licensing contract with an independent third party (the “**Licensee B**”) in December 2020 for licensing the right of using the intangible assets. However, up to the date of this report, Lion Run is not able to collect any consideration from Licensee B and has lost contact with Licensee B. Lion Run has taken legal action against Licensee B to recover the trade receivable from Licensee B.

Lion Run has also tried to solicit other potential licensees for using its intangible assets during the year but was not successful. The management of Lion Run thus considered that the recoverable amount of the intangible assets held by Lion Run is minimal and full impairment loss of intangible assets is recognised in the financial statements of Lion Run.

##### *Year ended 31 March 2022*

In view of the prolonged impact of COVID-19 pandemic and Lion Run experienced delay in receiving settlement of trade receivables from customers, the directors of the Company had performed impairment assessment on the intangible assets held by Lion Run as at 31 March 2022.

The recoverable amount of this cash generating unit had 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 was 18.8% per annum in relation to this cash generating unit, which was determined by Vincorn.

The discounted cash flow analysis used cash flow projections for the period from 2022 to 2040 with a negative growth rate ranging from 25% to 35% per annum being applied for estimated licensing income. The cash flow projection period was based on the license period of the IP held by Lion Run. The negative growth rates reflected the expected life and usage pattern of the IP held by Lion Run. The key assumptions also included budgeted licensing income and budgeted gross margins based on management's past experience and management expectations of market development.

Based on the valuation report prepared by Vincorn, the recoverable amount of the intangible assets held by Lion Run was approximately HK\$83,303,000, and impairment loss of approximately HK\$2,434,000 was recognised for the year ended 31 March 2022 on Lion Run's financial statements, which arose mainly due to significant decrease in the budgeted licensing income due to the prolonged impact of COVID-19 on the financial performance of Lion Run during the year ended 31 March 2022. The Group's share of the impairment loss was included in the share of loss of associates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

### 20. Interest in a Joint Venture

	2023 HK\$'000	2022 HK\$'000
Cost of investment in a joint venture	100,120	100,120
Share of post-acquisition loss and other comprehensive expense	(97,964)	(10,221)
	2,156	89,899
Less: Impairment loss	(2,156)	(2,156)
Carrying amount of the Group's investment in Success View	–	87,743

Details of the Group's joint venture as at 31 March 2023 and 2022 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
			2023	2022	2023	2022	
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.

	2023 HK\$'000	2022 HK\$'000
<b>Success View</b>		
Current assets	1	1
Non-current assets	–	175,572
Current liabilities	(107)	(87)
Revenue	–	–
Loss for the year	(175,591)	(37,860)
Other comprehensive income for the year	–	–
Total comprehensive expense for the year	(175,591)	(37,860)

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

	2023 HK\$'000	2022 HK\$'000
Net (liabilities)/assets of Success View	(106)	175,486
Proportion of the Group's ownership interest in Success View	50%	50%
Group's share of net assets (Note)	–	87,743
Goodwill	–	–
Carrying amount of the Group's interest in Success View	–	87,743

Note:

The Group does not recognize further losses and total comprehensive losses for the investment in Success View for the year ended 31 March 2023 because the Group's share of losses in the joint venture has accumulated up to its interest in the joint venture.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 20. Interest in a Joint Venture (Continued)

### Impairment assessment

#### Year ended 31 March 2023

Success View held intangible assets – animation characters and entered into a licensing contract with an independent third party (the “Licensee C”) in March 2020 for licensing the right of using the intangible assets. However, up to the date of this report, Success View is not able to collect any consideration from Licensee C and has lost contact with Licensee C. Success View has taken legal action against Licensee C to recover the trade receivable from Licensee C.

Success View has also tried to find the other potential licensees for using its intangible assets during the year but was not successful. The management of Success View thus considered that the recoverable amount of the intangible assets held by Success View is minimal and full impairment loss of intangible assets is recognised in the financial statements of Success View.

#### Year ended 31 March 2022

In view of the prolonged impact of COVID-19 pandemic, Success View recorded operating loss during the year ended 31 March 2022, hence the directors of the Company had performed impairment assessment on the intangible assets held by Success View and the goodwill arising from acquisition of investment in Success View as a single cash generating unit.

The recoverable amount of this cash generating unit had 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 was 17.9% per annum in relation to this cash generating unit, which was determined by Vincorn.

The discounted cash flow analysis used cash flow projections for the period from 2022 to 2040 with a negative growth rate of 15% per annum being applied for estimated licensing income. The cash flows projection period was based on the license period of the IP held by Success View. The negative growth rates reflected the expected life and usage pattern of the IP held by Success View. The key assumptions also include budgeted licensing income and budgeted gross margins based on management’s past experience and management expectations of market development.

Based on the valuation report prepared by Vincorn, the recoverable amount of Success View was approximately HK\$175,572,000, and impairment loss of approximately HK\$2,156,000 and HK\$308,000 was recognised for the year ended 31 March 2022 for goodwill of investment in joint venture and the intangible assets held by Success View respectively, which arose mainly due to significant decrease in the budgeted licensing income due to the prolonged impact of COVID-19 on the financial performance of Success View during the year ended 31 March 2022.

## 21. Financial Assets at Fair Value through Other Comprehensive Income

Financial assets at FVTOCI include the following:

	2023 HK\$'000	2022 HK\$'000
<b>Equity instruments at fair value through other comprehensive income</b>		
Equity securities listed in Hong Kong (i)	1,128	8,700
Unlisted equity investments (ii)	–	4,125
	<b>1,128</b>	<b>12,825</b>
<b>Debt instruments at fair value through other comprehensive income</b>		
Investments on unlisted bonds (iii)	3,604	–
	<b>4,732</b>	<b>12,825</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

### 21. Financial Assets at Fair Value through Other Comprehensive Income (Continued)

- (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.

During the year ended 31 March 2022, the Company issued 4,000,000 shares for the acquisition of 95,000,000 shares of Future World Holdings Limited, a company listed on the Main Board of the Stock Exchange, representing approximately 8.684% of its issued share capital, which is included in financial assets at fair value through other comprehensive income.

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 subscribed 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 2022. 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.

During the year ended 31 March 2023, the Group has disposed of the Investment at a consideration of HK\$3,800,000 to an independent third party.

- (iii) On 29 March 2023, the Group invested in a bond issued by an independent third party with a nominal amount of HK\$3,580,000 at a consideration of HK\$3,580,000. The bond has a coupon interest rate of 8.0% per annum and maturity date on 28 March 2025.

The bond is held by the Group within a business model whose objective is both to collect their contractual cash flows which are solely payments of principal and interest on the principal amount outstanding and to sell these financial assets. Hence, the investment in the unlisted bond is classified as at FVTOCI.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 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 as at 31 March 2022 carried interest at market rates ranging from 0.3% to 1.3% per annum.

### Restricted bank deposits

The balance as at 31 March 2023 and 2022 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 50(d). Such balance remained frozen up to the report date and carried prevailing market interest rate as at 31 March 2023 and 2022.

## 23. Inventories

	2023 HK\$'000	2022 HK\$'000
Finished goods	6,384	1,500

## 24. Trade Receivables

	2023 HK\$'000	2022 HK\$'000
Trade Receivables	268,248	268,762
Less: accumulated impairment losses	(214,324)	(98,708)
	53,924	170,054

As at 1 April 2021, the trade receivables from contracts with customers amounted to approximately HK\$226,243,000.

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 following is an aged analysis of trade receivables presented based on the invoice dates:

	2023 HK\$'000	2022 HK\$'000
0 to 90 days	31,867	49,843
91 to 180 days	2,310	1,333
181 to 365 days	13,042	22,929
Over 365 days	6,705	95,949
	53,924	170,054

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

### 24. Trade Receivables (Continued)

Included in trade receivables aged over 365 days are the gross receivable balance of approximately HK\$156,000,000 (2022: HK\$156,000,000), 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:

	2023 HK\$'000	2022 HK\$'000
0 to 90 days	29,211	99,021
91 to 180 days	10,888	7,273
181 to 365 days	7,276	34,831
	47,375	141,125

The Group's trade receivables that are denominated in currencies other than the functional currencies of the respective group entities are set out below:

	2023 HK\$'000	2022 HK\$'000
United States Dollars ("US\$")	23,324	27,705

Details of impairment assessment are set out in note 43(b).

As at 31 March 2023, included in the Group's trade receivables are debtors with aggregate gross amount of approximately HK\$208,167,000 (before provision for impairment) which were past due for more than 365 days and/or with history of default. The directors consider credit risk have increased significantly on these trade receivables and considered the receivables as credit-impaired.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

### 25. Deposit for Acquisition of Property, Plant and Equipment/Deposits for Theme Park Development Projects/Other Receivables, Deposits and Prepayments

#### Non-current assets:

	Notes	2023 HK\$'000	2022 HK\$'000
Deposit for acquisition of property, plant and equipment	(i)	72,492	72,492
Deposits for theme park development projects	(ii)	54,400	50,000

#### Notes:

- (i) The deposit for acquisition of property, plant and equipment is advance payment made to a construction vendor who is independent third party 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 contract was still valid as at 31 March 2023 with expiry dates in July 2023.
- (ii) Pursuant to contracts entered into between the Group and independent consultants, deposits for theme park development projects were made as an advance payment to the said consultants for the intended formation of joint venture and acquisition of facilities for construction of theme parks in the Metaverse, South-East Asia and the PRC.

#### Current assets:

	Notes	2023 HK\$'000	2022 HK\$'000
Rental deposit		5,308	6,020
VAT recoverable		1,072	1,159
Receivable of disposal of financial asset		3,666	–
Other receivables		4,517	6,333
Prepayments	(i)	48,996	63,870
Amounts due from associates		31	29
Amount due from a joint venture		–	87
Deposit refundable from construction vendors	(ii)	–	181,002
Deposit paid		228	495
		<b>63,818</b>	<b>258,995</b>

#### Notes:

- (i) As at 31 March 2023, 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\$45,279,000 (2022: HK\$40,639,000), and prepayments of commission or service fee of approximately HK\$Nil (2022: HK\$19,590,000) to an independent bond placement agent for the negotiations with the bond holders for the renewal of bonds and/or extension of bond repayment dates.
- (ii) During the year ended 31 March 2022, the Group has renegotiated the terms with certain construction vendors to request for refund of the amount previously paid for construction of various theme parks within one year after the end of the reporting period. Accordingly, the amounts of the deposits were reclassified from deposits for acquisition of property, plant and equipment to deposit refundable from construction vendors as at 31 March 2022. As at 31 March 2023, the deposit refundable from construction vendors with aggregate carrying amount of approximately HK\$298,127,000 (before impairment loss) were past due. The directors consider credit risk have increased significantly on the balance and impairment of approximately HK\$181,002,000 was recognised during the year ended 31 March 2023.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

### 26. Amount Due to a Director

	2023 HK\$'000	2022 HK\$'000
Chong Heung Chung Jason	25	–

The amount is unsecured, interest-free and repayable on demand.

### 27. Financial Assets at Fair Value Through Profit or Loss

	2023 HK\$'000	2022 HK\$'000
Structured deposits (Note i)	777	839

	2023 HK\$'000	2022 HK\$'000
Analysed for reporting purposes as:		
Current assets	777	839

Note:

- (i) 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 2023 and 2022 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.

### 28. Bank Balances and Cash

Bank balances carry interest at market rates ranging from 0.001% to 0.3% (2022: 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:

	2023 HK\$'000	2022 HK\$'000
RMB	496	5
US\$	1,883	96
JPY	1	105

For the years ended 31 March 2023 and 2022, 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

### 29. Trade Payables

	2023 HK\$'000	2022 HK\$'000
Trade payables	6,266	15,522
	<b>6,266</b>	15,522

The average credit periods on purchases of goods range from 0 to 30 days. The following is an age analysis of trade payables and notes payables presented based on the invoice dates at the end of the reporting period:

	2023 HK\$'000	2022 HK\$'000
0 to 30 days	1,330	9,990
Over 90 days	4,936	5,532
	<b>6,266</b>	15,522

### 30. Other Payables and Accruals

	2023 HK\$'000	2022 HK\$'000
<b>Current portion</b>		
Other payables and accruals	61,766	46,435
Payable for acquisition of plant and equipment	5,438	5,774
Interest payables	113,149	59,582
Salaries payables	6,424	2,579
Other tax payables	13,184	8,537
	<b>199,961</b>	122,907
<b>Non-Current portion</b>		
Other payables and accruals	–	298
	–	298

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

### 31. Contract liabilities

	Note	2023 HK\$'000	2022 HK\$'000
<b>Current portion</b>			
Sales of animation derivative products		1,352	2,121
Sales of admission tickets and licensing income of indoor theme parks		25,156	14,905
		<b>26,508</b>	17,026
<b>Non-current portion</b>			
Provision of licence for indoor theme parks	(i)	31,706	33,885
Total contract liabilities		<b>58,214</b>	50,911

Note:

- (i) 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

	2023 HK\$'000	2022 HK\$'000
Balance at 1 April	50,911	125,225
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	(2,588)	(91,340)
Increase in contract liabilities as a result of billings in advance from customers	9,891	17,026
	<b>58,214</b>	50,911

### 32. Provision for Reinstatement Costs for Rented Premises

	2023 HK\$'000	2022 HK\$'000
At 1 April	29,483	31,980
Provision recognised	140	152
Exchange adjustment	(2,227)	(2,649)
At 31 March	<b>27,396</b>	29,483
	<b>2023 HK\$'000</b>	<b>2022 HK\$'000</b>
Provision for reinstatement costs for rented premises		
Analysed for reporting purpose as:		
Current liabilities	–	–
Non-current liabilities	27,396	29,483
	<b>27,396</b>	29,483

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

### 33. Guaranteed Note

On 24 September 2021, the Company issued HK\$20,000,000 of 8% secured guaranteed note (the “**Note**”), which is secured by the Company’s shares held by the substantial shareholder of the Company. The proceeds were utilized for general corporate purpose.

During the year ended 31 March 2022, the Company had breached certain default clause stipulated in the note purchase agreement (the “**Agreement**”) of the Note, which triggered the holder of the Note (the “**Note Holder**”) to demand for immediate payment of the principal and accrued interest from the Company. On 27 May 2022, the Note Holder filed a winding-up petition against the Company in the High Court of Hong Kong, see Note 50(a).

As at 31 March 2023, the Note with principal amount of HK\$25,000,000 (2022: HK\$20,000,000) was overdue for repayment (pursuant to a supplementary settlement deed, HK\$5,000,000 of other borrowing obtained from the same holder has been added to the Note) and together with the overdue interests thereon was not repaid.

### 34. Lease liabilities

	2023 HK\$'000	2022 HK\$'000
Lease liabilities payable:		
Within one year	32,321	35,371
Within a period of more than one year but not more than two years	23,321	77,876
Within a period of more than two years but not more than five years	46,802	11,625
More than five years	41,083	764
	<b>143,527</b>	125,636
Less: Amount due for settlement within 12 months shown under current liabilities	<b>(32,321)</b>	(35,371)
Amount due for settlement after 12 months shown under non-current liabilities	<b>111,206</b>	90,265

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

### 35. Bank and Other Borrowings

	2023 HK\$'000	2022 HK\$'000
Bank borrowings and overdraft	100,249	115,540
Other borrowings	113,115	96,016
	<b>213,364</b>	211,556
<b>(i) Bank borrowings</b>		
The carrying amount of the bank borrowing are repayable		
Within one year	21,933	20,237
Within a period of more than one year but not exceeding two years	28,485	13,390
Within a period of more than two years but not exceeding five years	26,334	50,808
More than five years	23,497	31,105
	<b>100,249</b>	115,540
	<b>100,249</b>	115,540
Less: Amount due within 1 year shown under current liabilities	<b>(21,933)</b>	(20,237)
<b>Amount of bank borrowing shown under non-current liabilities</b>	<b>78,316</b>	95,303
<b>(ii) Other Borrowings</b>		
The carrying amount of the other borrowings is repayable		
Within one year	98,801	79,362
Within a period of more than one year but not exceeding two years	12,739	1,030
Within a period of more than two years but not exceeding five years	1,575	15,624
	<b>113,115</b>	96,016
Less: Amount due within 1 year shown under current liabilities	<b>(98,801)</b>	(79,362)
Amount of other borrowings shown under non-current liabilities	<b>14,314</b>	16,654
Bank and other borrowings shown under non-current liabilities	<b>92,630</b>	111,957
Bank and other borrowings shown under current liabilities	<b>120,734</b>	99,599

The ranges of effective interest rates on the Group's bank borrowings are as follows:

	2023	2022
Fixed-rate bank borrowings	<b>1.07% to 10.0%</b>	1.07% to 10%

Included in the bank borrowings balance as at 31 March 2023 are secured bank borrowings of approximately HK\$30,174,000 (2022: HK\$24,542,000) which were secured by a property jointly owned by Mr. CHONG Heung Chung Jason and his spouse.

Included in the other borrowings balance as at 31 March 2023 of approximately HK\$Nil (2022: HK\$9,496,000) was secured by a property jointly owned by Mr. CHONG Heung Chung Jason and his spouse, approximately HK\$60,000,000 (2022: HK\$60,000,000) was secured by the Company's shares held by Bright Rise Enterprises Limited (wholly-owned by Mr. CHONG Heung Chung Jason), and approximately HK\$11,797,000 (2022: HK\$12,876,000) was secured by the long-term rental deposits.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

### 36. Bonds

During the year ended 31 March 2023, the Company issued bonds at par in an aggregate principal amount of approximately HK\$339,000,000 (2022: HK\$83,300,000). The bonds outstanding as at 31 March 2023 and 2022 are denominated in HK\$ and are unlisted. The bonds are unsecured and carry interest at nominal rates ranging from 0% to 11.48% (2022: 5% to 9%) per annum, payable annual/semi-annual/monthly in arrears and will be matured within 0.8 to 2.5 years (2022: 0.5 to 4 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.

The Group's bonds payable with aggregate principal amounts of approximately HK\$321,400,000 (2022: HK\$128,300,000) were overdue for repayment as at 31 March 2023 and together with the overdue interests thereon of approximately HK\$69,192,498 (2022: HK\$13,280,000) were not repaid as at 31 March 2023.

### 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 2021	910
Credit to profit or loss	(845)
Exchange difference	(65)
At 31 March 2022 and 31 March 2023	–

The Group had unused tax losses of approximately HK\$805,912,000 at 31 March 2023 (2022: HK\$467,409,000), 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 approximately HK\$177,017,000 (2022: HK\$154,017,000) under PRC Corporate tax that will expire between 2023 and 2028 (2022: between 2022 and 2027) and unrecognised tax losses under Japan Corporate tax of approximately HK\$281,594,000 (2022: HK\$289,798,000) that will expire between 2025 and 2028 (2022: between 2025 and 2028). Other losses may be carried forward indefinitely.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 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 2023 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:

	2023	2022
Discount rate	1.6%	1.1%
Rate for salary increase	Salary index	Salary index
Pension increases for deferred benefits	5.5%	5.5%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

### 38. Retirement Benefit Obligations (Continued)

#### Defined benefit plans (Continued)

The actuarial valuation showed that the market value of plan assets was HK\$34,870,000 (2022: HK\$37,433,000).

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.

	2023 HK\$'000	2022 HK\$'000
Service cost:		
Current service cost	1,638	1,833
Net interest expense	(85)	(83)
Components of defined benefits costs recognised in profit or loss	<b>1,553</b>	1,750
Remeasurement on the net defined benefit liabilities:		
(Gain)/loss on plan assets (excluding amounts included in net interest expense and including the effect of asset ceiling)	(1,593)	330
Actuarial loss arising from experience adjustments	2,174	1,038
Components of deferred benefit cost recognised in other comprehensive income	<b>581</b>	1,368
<b>Total</b>	<b>2,134</b>	3,118

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:

	2023 HK\$'000	2022 HK\$'000
Present value of funded defined benefit obligations	34,870	37,433
Fair value of plan assets	(34,870)	(37,433)
Defined benefit obligation	–	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 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:

	2023 HK\$'000	2022 HK\$'000
Defined benefit obligation at 1 April	37,433	38,323
Current service cost	1,638	1,833
Interest cost	325	375
Remeasurement gains:		
Actuarial gains arising from change in financial assumptions	(3,120)	(1,152)
Effect of asset ceiling (Note 1)	1,528	1,482
Benefits paid	(462)	(110)
Exchange differences on foreign plan	(2,472)	(3,318)
Defined benefit obligation at 31 March	34,870	37,433

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:

	2023 HK\$'000	2022 HK\$'000
Fair value of plan assets at 1 April	37,433	38,323
Interest income	409	458
Remeasurement gains		
Loss on plan assets (excluding amounts included in net interest expense)	(2,174)	(1,038)
Contributions from the employers	2,828	3,118
Exchange differences on foreign plans	(3,164)	(3,318)
Benefits paid	(462)	(110)
Fair value of plan assets at 31 March	34,870	37,433

### 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 2023 made by the Group amounted to HK\$8,866,000 (2022: HK\$9,571,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

### 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 (the “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) (the “First Tranche”) 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) (the “Second Tranche”). On 1 January 2022, the Company, Sega Sammy and CA Sega entered into an amendment to the Shareholders Agreement, such that all the terms and conditions set forth in the original Shareholders Agreement will be transferred to the amended Shareholders Agreement and remain in full force and effect, except that the Second Tranche of the put option will be exercisable by Sega Sammy on or after the fifth anniversary of 1 January 2022 (i.e. 31 December 2026).

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 2023 and 2022 has been determined by using a Binominal Option Pricing Model performed by Vincorn (2022: Vincorn), 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.

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 2021	3,065	1,517	4,582
Fair value change	10,311	(1,517)	8,794
At 31 March 2022	13,376	–	13,376
Fair value change	(969)	–	(969)
At 31 March 2023	12,407	–	12,407

Net gain of approximately HK\$969,000 (2022: net loss of HK\$8,794,000) was recognised in other gains and losses of the consolidated profit or loss for the year ended 31 March 2023.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

### 39. Obligation Arising from a Put Option to a Non-Controlling Interest and Put Option Derivatives (Continued)

Key inputs used in the model	2023	2022
Risk-free rate (note i)	0.03%	0.004%
Time to expiration (note ii)	3.8 years	4.8 years
Volatility (note iii)	40.0%	40.0%
Fair value of underlying shares	JPYNil	JPY2,716,000

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 31 December 2026 (2022: the date immediately before 31 December 2026).
- (iii) Volatility is based on the average of the implied volatility of the daily return of comparable stock for 3.8 years (2022: 4.8 years).

### 40. Share Capital

	Number of shares of HK\$0.1 each	Share capital HK\$'000
Authorised:		
At 1 April 2021, 31 March 2022 and 31 March 2023	5,000,000,000	500,000
Issued and fully paid:		
At 1 April 2021	981,702,000	98,170
Share swap (note ii)	4,000,000	400
Share issued under placing agreement (note iii)	86,000,000	8,600
Cancellation of subscription shares (note iv)	(86,000,000)	(8,600)
Debt capitalisation (note v)	196,340,000	19,634
At 31 March 2022 and 31 March 2023	1,182,042,000	118,204

Notes:

- (i) All the shares issued ranked pari passu in all respects with the then existing shares in issue.
- (ii) On 8 September 2021, the Company issued 4,000,000 shares for the acquisition of 95,000,000 shares of Future World Holdings Limited, a company listed on the Main Board of the Stock Exchange, representing approximately 8.684% of its issued share capital, which included in financial assets at fair value through other comprehensive income. For details please refer to the announcements to the Company dated 24 August 2021 and 8 September 2021.
- (iii) On 1 September 2021 (after trading hours), ACCP Global Limited (the "Subscriber") and the Company entered into the conditional subscription agreement ("Subscription Agreement") pursuant to which the Company has conditionally agreed to allot and issue 86,000,000 subscription shares ("Subscription Shares") at the subscription price of HK\$2.50 per Subscription Share. The Subscription Shares have been issued and allotted to the Subscriber on 29 September 2021. For details, please refer to the announcements to the Company dated 1 September 2021 and 8 December 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 40. Share Capital (Continued)

Notes: (Continued)

- (iv) With regard to the Subscription Agreement, the 86,000,000 Subscription Shares were expected to be received by the Subscriber in two batches, first batch being 40,000,000 Subscription Shares (the “**First Batch Shares**”) and the second batch being 46,000,000 Subscription Shares (the “**Second Batch Shares**”), and the First Batch Shares were received by the Subscriber on 29 September 2021.

On 4 October 2021, due to the Subscriber’s default in payment of the consideration to the Subscription Shares, Mr. Chong Heung Chung Jason (“**Mr. Chong**”) has expressed the intention (the “**Intention**”) to terminate the Subscription Agreement. In response to such Intention, the Subscriber requested during a meeting that the Subscription Shares to be divided into further sub-batches such that the First Batch Shares would be divided into (i) 1st sub-batch of 20,000,000 Subscription Shares, payment for which in the amount of HK\$50,000,000 (“**Sum**”) were agreed to be taken place on 5 October 2021; and (ii) 2nd sub-batch of 20,000,000 Subscription Shares. On 26 October 2021, the Subscriber’s legal adviser returned the First Batch Shares to the Company’s legal adviser in the form of four share certificates (each representing 10,000,000 Subscription Shares), while the Second Batch Shares remained in the Company’s physical custody since 29 September 2021.

On 28 December 2021, the Board of Directors has resolved to cancel the Subscription Shares, and which have ceased to exist as part of the Company’s issued share capital on 28 December 2021.

For details, please refer to the announcements to the Company dated 8 December 2021, 10 December 2021 and 28 December 2021.

- (v) On 29 December 2021, Bloom Fort Limited (the “**Creditor**”), an independent third party of the Group, and the Company entered into the settlement deed pursuant to which the Company has conditionally agreed to allot and issue, and the Creditor has conditionally agreed to subscribe 98,170,000 Settlement Shares at the Settlement Price of HK\$0.405 per Settlement Share. The subscription amount payable by the Creditor under the settlement deed shall be satisfied by capitalising the amount owing by the Company to Creditor in an aggregate amount of approximately HK\$40,020,000 as at the date of the settlement deed.

Details of the debt capitalisation arrangement with Creditor were contained in the Company’s announcements dated 29 December 2021, 30 December 2021, 12 January 2022 and 14 January 2022.

On 23 February 2022, the following settlement deeds are entered into by the Company:

- (a) Trillion Joint Group Limited (“**Creditor A**”), an independent third party of the Group, and the Company entered into settlement deed, pursuant to which the Company has conditionally agreed to allot and issue, and Creditor A has conditionally agreed to subscribe 55,670,000 Settlement Shares at the Settlement Price of HK\$0.170 per Settlement Share. The subscription amount payable by Creditor A under the settlement deed shall be satisfied by capitalising the amount owing by the Company to Creditor A in an aggregate amount of approximately HK\$9,572,000 as at the date of the settlement deed; and
- (b) Mr. Wong Yu Man James (“**Creditor B**”), an independent third party of the Group, and the Company entered into settlement deed, pursuant to which the Company has conditionally agreed to allot and issue, and Creditor B has conditionally agreed to subscribe 42,500,000 Settlement Shares at the Settlement Price of HK\$0.170 per Settlement Share. The subscription amount payable by Creditor B under the settlement deed shall be satisfied by capitalising the amount owing by the Company to Creditor B in an aggregate amount of approximately HK\$7,235,000 as at the date of the settlement deed.

Details of the debt capitalisation arrangement with Creditor were contained in the Company’s announcements dated 23 February 2022 and 3 March 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 41. 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.

## 42. Financial Instruments

### a. Categories of financial instruments

	2023 HK\$'000	2022 HK\$'000
<b>Financial assets</b>		
Financial assets at amortised costs	104,699	389,418
Financial assets at FVTPL	777	839
Financial assets at FVTOCI	4,732	12,825
	<b>110,208</b>	403,082
<b>Financial liabilities</b>		
Financial liabilities at amortised cost	1,299,335	884,176
	<b>1,299,335</b>	884,176

### 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.

## 42. Financial Instruments (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *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% (2022: 10%) higher/lower:

- investments revaluation reserve would increase/decrease by approximately HK\$112,800 (2022: HK\$870,000) 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% (2022: 10%) higher/lower:

- investments revaluation reserve would increase/decrease by approximately HK\$Nil (2022: HK\$413,000) as a result of the changes in the fair value of financial assets at FVTOCI.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 42. 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, debt instruments at FVTOCI, 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 43% (2022: 42%) and 91% (2022: 92%) of the total trade receivables as at 31 March 2023 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 on portfolio basis. Except for items that are subject to individual evaluation, which are assessed for impairment individually, the remaining trade receivables are grouped based on shared credit risk characteristics by reference to current past due exposure. Impairment loss of approximately HK\$115,616,000 (2022: impairment loss of approximately HK\$88,455,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

#### *Debt instruments at FVTOCI*

The Group only invests in debt securities with low credit risk. During the year ended 31 March 2023, ECL on debt instruments at FVTOCI amounting to HK\$Nil (2022: HK\$Nil) is recognised in the profit or loss.

#### *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 2023

## 42. 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 2023 and 2022. The amounts presented are the gross carrying amounts for financial assets.

2023	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK\$'000
<b>Financial assets at amortised costs</b>				
Bank balances and cash	28	N/A	12-month ECL	36,242
Restricted bank balances	22	N/A	12-month ECL	793
Trade receivables	24	(note i)	Lifetime ECL	268,248
Other receivables and deposits	25	Normal (note ii)	12-month ECL	4,517
	25	Doubtful (note ii)	Lifetime ECL	309,914
		Credit Impaired	Lifetime ECL	323,863
<b>Debt investments at FVTOCI</b>				
Investments in unlisted bonds	21	Normal (note ii)	12-month ECL	3,604
2022	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	3,725
Bank balances and cash	28	N/A	12-month ECL	20,955
Restricted bank balances	22	N/A	12-month ECL	718
Trade receivables	24	(note i)	Lifetime ECL	268,762
Other receivables and deposits	25	Normal (note ii)	12-month ECL	6,333
	25	Doubtful (note ii)	Lifetime ECL	298,127
		Credit Impaired	Lifetime ECL	337,613

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 42. Financial Instruments (Continued)

### b. Financial risk management objectives and policies (Continued)

#### Credit risk and impairment assessment (Continued)

##### Deposits and other receivables (Continued)

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.
- (ii) The credit quality of the financial assets included in deposits and other receivables and debt investments at FVTOCI are 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". Financial assets are "Credit Impaired" when one or more events of default that have a detrimental impact on the estimated future cash flow of that financial asset have occurred.

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	Average loss rate %	Credit Impaired HK\$'000	Total HK\$'000
<b>At 31 March 2023</b>							
Other receivables and deposits	0	4,517	96.29	309,914	100	323,863	638,294
<b>At 31 March 2022</b>							
Other receivables and deposits	0	6,333	39.29	298,127	100	337,613	642,073

#### Trade receivables

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

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.

Analysis of trade receivables by categories based on method of provision for credit loss allowance.

HK\$'000

Category	Gross carrying amount		2023 Credit loss allowance		Carrying amount	Gross carrying amount		2022 Credit loss allowance		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Provision on individual basis										
– Trade receivables	156,000	58	(156,000)	100	–	156,000	58	(61,288)	39.3	94,712
Provision on portfolio basis										
– Trade receivables	112,248	42	(58,324)	51.9	53,924	112,762	42	(37,420)	33.2	75,342
<b>Total</b>	<b>268,248</b>	<b>100</b>	<b>(214,324)</b>	<b>–</b>	<b>53,924</b>	<b>268,762</b>	<b>100</b>	<b>(98,708)</b>	<b>–</b>	<b>170,054</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

### 42. Financial Instruments (Continued)

#### b. Financial risk management objectives and policies (Continued)

##### Credit risk and impairment assessment (Continued)

##### Trade receivables (Continued)

- (i) Analysis of trade receivables for which credit loss allowance is provided on an individual basis:

HK\$'000

Item	Gross carrying amount	2023 Closing Balance		
		Credit loss allowance	Proportion (%)	Reason for provision
Trade receivables 1*	39,400	(39,400)	100	Note (i)
Trade receivables 2*	47,600	(47,600)	100	Note (i)
Trade receivables 3*	40,000	(40,000)	100	Note (i)
Trade receivables 4*	29,000	(29,000)	100	Note (i)
	<b>156,000</b>	<b>(156,000)</b>		

\* The following pairs represent each of the same party.

Trade receivables 1, 2, 3 and 4.

Description of trade receivables for which credit loss allowance is provided on an individual basis:

Notes:

The Group considered the reasonable and supportable evidence and information (including forward-looking information) available in relation to the counterparty, to assess the expected credit losses and recognised the loss allowance accordingly.

- (i) The management believes a higher expected credit rate is necessary in respect of this trade receivable as the trade receivable has been past due for over two years. Although the management has taken legal action against the debtor, the management considered that the chance to recover the amount is minimal.

HK\$'000

Item	Gross carrying amount	2022 Closing Balance		
		Credit loss allowance	Proportion (%)	Reason for provision
Trade receivables 1*	39,400	(15,479)	39.3	Note (i)
Trade receivables 2*	47,600	(18,701)	39.3	Note (i)
Trade receivables 3*	40,000	(15,715)	39.3	Note (i)
Trade receivables 4*	29,000	(11,393)	39.3	Note (i)
	<b>156,000</b>	<b>(61,288)</b>		

\* The following pairs represent each of the same party.

Trade receivables 1, 2, 3 and 4.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 42. Financial Instruments (Continued)

### b. Financial risk management objectives and policies (Continued)

#### Credit risk and impairment assessment (Continued)

##### Trade receivables (Continued)

- (i) Analysis of trade receivables for which credit loss allowance is provided on an individual basis: (Continued)

Description of trade receivables for which credit loss allowance is provided on an individual basis:

Notes:

The Group considered the reasonable and supportable evidence and information (including forward-looking information) available in relation to the counterparty, to assess the expected credit losses and recognised the loss allowance accordingly.

- (i) The management believes a higher default rate is necessary in respect of this trade receivable as there were internal changes of debtor in respect of this trade receivable.
- (ii) Analysis of trade receivables for which credit loss allowance is provided on collective basis:

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	2023		2022	
	Average loss rate	Trade receivables	Average loss rate	Trade receivables
Current (not past due)	2.62%	6,724	20.8%	29,502
Within 90 days past due	3.21%	30,180	2.16%	28,896
91 days to 180 days past due	3.52%	11,286	3.71%	280
181 days to 365 days past due	38.81%	11,891	39.25%	17,958
Over 365 days past due	100%	52,167	100%	36,126
		112,248		112,762

During the year ended 31 March 2023, the Group provided approximately HK\$58,324,000 (2022: HK\$37,420,000) impairment allowance for trade receivables on collective basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

### 42. 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 2021	10,253
Impairment losses	88,455
As at 31 March 2022	98,708
Impairment losses	115,616
As at 31 March 2023	<b>214,324</b>

The following significant changes in gross carrying amounts of trade receivables contributed to the increase in the loss allowance:

- increase in days past due over 365 days resulted in an increase in loss allowance of approximately HK\$179,000,000 (2022: increase in loss allowance of approximately HK\$28,000,000).
- Higher default rates applied to the trade receivables for which credit loss allowance is provided on an individual basis as shown in (i) above resulted in an increase in loss allowance of approximately HK\$94,712,000 (2022: increase in loss allowance of approximately HK\$61,288,000).

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 2021	1,837	4,059	–	5,896
(Reversal of)/provision for impairment losses recognised	(1,837)	113,065	337,613	448,841
As at 31 March 2022	–	117,124	337,613	454,737
Provision/(reversal of) for impairment losses recognised	–	181,307	(13,750)	167,557
As at 31 March 2023	–	298,431	323,863	622,294

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 42. 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 2023</b>						
<b>Non-derivative instruments</b>						
Trade payable	-	6,266	-	-	6,266	6,266
Other payables and accruals	-	180,352	-	-	180,352	180,352
Amount due to a director	-	25	-	-	25	25
Bonds	14.63	796,427	10,736	9,510	816,673	718,395
Guaranteed notes	8	25,500	-	-	25,500	25,000
Bank borrowings	1.48	22,271	57,914	24,311	104,496	100,249
Other Borrowings	5.15	101,023	14,395	-	115,418	113,115
Lease liabilities	13.01	42,061	94,165	45,360	181,586	143,527
Obligation arising from a put option to a non-controlling interest (note)	-	-	12,407	-	12,407	12,407
		<b>1,173,925</b>	<b>189,617</b>	<b>79,181</b>	<b>1,442,723</b>	<b>1,299,336</b>
<b>At 31 March 2022</b>						
<b>Non-derivative instruments</b>						
Trade payable	-	15,522	-	-	15,522	15,522
Other payables and accruals	-	111,791	-	-	111,791	111,791
Bonds	14.31	354,891	82,301	-	437,192	385,997
Guaranteed notes	8	20,800	-	-	20,800	20,000
Bank borrowings	2.18	20,587	65,917	31,557	118,061	115,540
Other Borrowings	7.34	81,542	16,903	-	98,445	96,016
Lease liabilities	11.51	38,449	92,958	776	132,183	125,636
Long-term other payable	-	-	298	-	298	298
Obligation arising from a put option to a non-controlling interest (note)	-	-	13,376	-	13,376	13,376
		<b>643,582</b>	<b>271,753</b>	<b>32,333</b>	<b>947,668</b>	<b>884,176</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 2023

## 42. 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*

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).

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
	31.3.2023 HK\$'000	31.3.2022 HK\$'000				
Financial assets at FVTOCI – listed equity	Asset – HK\$1,128	Asset – HK\$8,700	Level 1	Quoted bid price in an active market	N/A	N/A
Financial assets at FVTOCI – unlisted equity	Asset – HK\$–	Asset – HK\$4,125 (Note)	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 FVTOCI – unlisted bond	Asset – HK\$3,604	N/A	Level 3	Discounted cash flows	Discount rate of 8%, which is based on credit spread of comparable companies.	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\$777	Asset – HK\$839	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.
Put option derivatives	Liability – HK\$–	Liability – HK\$–	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 22.9% (2022: 18.0%) 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% (2022: 40.0%).	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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 42. 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)*

Note: Subsequent to the year ended 31 March 2022, the Group and an independent third party (the “Purchaser”) entered into the equity transfer agreement, pursuant to which, the Group has agreed to transfer, and Purchaser has agreed to acquire all of the Investment (defined in Note 21) held by the Group with the amount of HK\$3,800,000, and the fair value of the financial assets at FVTOCI as at 31 March 2022 was measured with the contract price adjusted for change in market multiples from 31 March 2022 to the disposal date.

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 2021	40,000	805	40,805
Total gains:			
– in profit or loss	–	34	34
– in other comprehensive income	(35,875)	–	(35,875)
At 31 March 2022	4,125	839	4,964
Total gains/(loss):			
– in profit or loss	–	1	1
– in other comprehensive income	(325)	–	(325)
Disposal	(3,800)	(63)	(3,863)
At 31 March 2023	–	777	777

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 gain of approximately HK\$969,000 (2022: gain of HK\$1,517,000) has been recognized in the other gains and losses of the consolidated financial statements for the year ended 31 March 2023 in respect of the put option derivative.

Of the total gains or losses for the period included in profit or loss, HK\$1,000 (2022: HK\$34,000) relates to financial assets designated as at FVTPL and HK\$969,000 (2022: HK\$1,517,000) 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’.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

### 43. 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.

	Bank and other borrowings HK\$'000	Amount due to a director HK\$'000	Bonds HK\$'000	Guaranteed note HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 April 2021	102,017	562	358,101	78,991	155,077	694,748
Financing cash flows	109,994	(562)	(31,633)	(64,742)	(45,335)	(32,278)
<i>Non-cash transactions</i>						
Modification of lease	–	–	–	–	7,648	7,648
Foreign exchange translation	(7,567)	–	–	–	–	(7,567)
Finance costs	7,112	–	59,529	5,751	8,246	80,638
At 1 April 2022	211,556	–	385,997	20,000	125,636	743,189
Financing cash flows	(866)	25	281,316	(2,932)	(29,862)	247,681
<i>Non-cash transactions</i>						
Modification of lease	–	–	–	–	55,168	55,168
Foreign exchange translation	(11,406)	–	–	–	(14,923)	(26,329)
Finance costs (excluding interest on foreign account)	14,080	–	51,082	7,932	7,508	80,602
At 31 March 2023	<b>213,364</b>	<b>25</b>	<b>718,395</b>	<b>25,000</b>	<b>143,527</b>	<b>1,100,311</b>

#### (b) Major non-cash transactions

##### Year ended 31 March 2023

No material non-cash transaction during the year ended 31 March 2023.

##### Year ended 31 March 2022

During the year ended 31 March 2022, the Group had the following material non-cash transactions:

- (i) As disclosed in Note 40(ii), the Company issued 4,000,000 shares for the acquisition of 95,000,000 shares of Future World Holdings Limited, a company listed on the Main Board of the Stock Exchange, representing approximately 8.684% of its issued share capital, which included in financial assets at FVTOCI.
- (ii) As disclosed in Note 40(v), the Company had debt capitalisation arrangements with Creditor during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 44. Capital Commitments

The Group does not have material capital commitment as at 31 March 2023 and 2022.

## 45. 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	2023 HK\$'000	2022 HK\$'000
Sega Holdings Co., Ltd.	Subsidiary of a non-controlling Shareholder	Licensing fee	2,150	1,428
Chong Heung Chung Jason	Substantial shareholder	Rental expense for premises	231	235

### (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:

	2023 HK\$'000	2022 HK\$'000
Salaries and other benefits	6,601	6,741
Retirement benefit schemes contribution	67	79
Incentive performance bonuses	150	283
Share-based payments expense	–	520
	6,818	7,623

The remuneration of the key executives is determined having regard to the performance of individuals and market trends.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 46. 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.

At 31 March 2023 and 2022, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 42,910,000, representing 3.6% of the shares of the Company in issue at that date.

Details of specific categories of options are as follows:

Category of grantees	Date of grant of share options	Outstanding as at 1 April 2021	Number of share options During the period				Outstanding as at 31 March 2022 and 2023	Vesting period of shares options	Exercisable period of shares options	Exercise price per share HK\$	Closing price per share immediately before the date of grant HK\$
			Granted	Exercised	Cancelled	Lapsed					
Directors	28 February 2022	-	6,434,000	-	-	-	6,434,000	Vested immediately	28 February 2022 to 28 February 2024	0.171	0.163
Consultants	28 February 2022	-	3,223,000	-	-	-	3,223,000	Vested immediately	28 February 2022 to 28 February 2024	0.171	0.163
Employees	28 February 2022	-	33,253,000	-	-	-	33,253,000	Vested immediately	28 February 2022 to 28 February 2024	0.171	0.163
		-	42,910,000	-	-	-	42,910,000				
Exercisable at the end of the year							42,910,000				
Weighted average exercise price (HK\$)							0.171				

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 46. Share-Based Payments (Continued)

### Equity-settled share option scheme of the Company (Continued)

The fair value of the options granted on 28 February 2022 was approximately HK\$2,562,000. 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\$0.163
Exercise price	HK\$0.171
Risk-free rate*	0.92%
Expected volatility	118.31%
Expected dividend yield	0%

\* 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 2023, the Group recognised the total expense of HK\$Nil (2022: HK\$2,562,000) 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 2023

## 47. Particulars of Principal Subsidiaries of the Company

Particulars of the Company's principal subsidiaries as at 31 March 2023 and 2022 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
			2023 %	2022 %	
<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	RMB30,000,000	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	93.8	100	Operation of indoor theme park in the PRC

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 47. Particulars of Principal Subsidiaries of the Company (Continued)

Particulars of the Company's principal subsidiaries as at 31 March 2023 and 2022 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
			2023 %	2022 %	
CA Sega*	Japan	JPY50,000,000	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\$18,500,000	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* <sup>v</sup>	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* <sup>v</sup>	PRC	RMB4,000,000	51 <sup>Note (iii)</sup>	51 <sup>Note (iii)</sup>	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 <sup>Note (iii)</sup>	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	100	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	— <sup>^</sup>	N/A <sup>Note (i)</sup>	N/A <sup>Note (i)</sup>	Investment holding

\* The English name is for identification purpose only.

# Established in the PRC in the form of wholly foreign-owned enterprise.

<sup>v</sup> Established in the PRC in the form of sino-foreign equity joint investment.

<sup>^</sup> 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 2023

## 47. 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.

## 48. 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	
		2023	2022	2023	2022	2023	2022
				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%	160	(8,686)	(11,830)	(12,633)
Individually immaterial subsidiaries with non-controlling interests				269	(1,596)	3,812	786
				429	(10,282)	(8,018)	(11,847)

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 2023

### 48. Details of Non-wholly-owned Subsidiary that has Material Non-controlling Interests (Continued)

#### CA Sega Group

	2023 HK\$'000	2022 HK\$'000
Current assets	55,541	54,397
Non-current assets	48,641	77,669
Current liabilities	(60,327)	(62,904)
Non-current liabilities	(123,250)	(153,945)
<b>Net liabilities</b>	<b>(79,395)</b>	<b>(84,783)</b>
Accumulated deficit attributable to owners of the Company	(67,565)	(72,150)
Non-controlling interests	(11,830)	(12,633)
<b>Total accumulated deficit</b>	<b>(79,395)</b>	<b>(84,783)</b>
Revenue	172,641	104,798
Other income and gains	3,718	1,342
Expenses and taxation	(175,287)	(164,432)
<b>Profit/(loss) for the year</b>	<b>1,072</b>	<b>(58,292)</b>
Profit/(loss) attributable to owners of the Company	912	(49,606)
Profit/(loss) attributable to the non-controlling interests	160	(8,686)
<b>Profit/(loss) for the year</b>	<b>1,072</b>	<b>(58,292)</b>
Other comprehensive income attributable to owners of the Company	4,047	4,501
Other comprehensive income attributable to non-controlling interests	709	788
Other comprehensive income for the year	4,756	5,289
Total comprehensive income/(expense) attributable to owners of the Company	4,959	(45,105)
Total comprehensive income/(expense) attributable to non-controlling interests	869	(7,898)
Total comprehensive expense for the year	5,828	(53,003)
Net cash from/(used in) operating activities	17,935	(22,145)
Net cash from/(used in) investing activities	2,673	(9,893)
Net cash (used in) financing activities	(38,635)	(603)
<b>Net decrease in cash and cash equivalents</b>	<b>(18,027)</b>	<b>(32,641)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 49. Statement of Financial Position of the Company

	Note	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets</b>			
Intangible assets		–	272
Financial assets at fair value through other comprehensive income		4,732	8,494
Interest in subsidiaries	1	–	–
Deposit for theme park development projects		4,400	–
		<b>9,132</b>	8,766
<b>Current assets</b>			
Inventories		4,990	–
Other receivables, deposits and prepayments		11,084	24,485
Amounts due from subsidiaries		671,083	671,141
Restricted bank balances		773	–
Bank balances and cash		2,021	155
		<b>689,951</b>	695,781
<b>Current liabilities</b>			
Other payables and accruals		126,128	67,241
Amount due to a director		7,559	13,531
Amount due to subsidiaries		270,197	25,097
Guaranteed note		25,000	20,000
Bonds		710,376	321,416
Bank and other borrowings		65,250	61,668
		<b>1,204,510</b>	508,953
<b>Net current (liabilities)/assets</b>		<b>(514,559)</b>	186,828
<b>Total assets less current liabilities</b>		<b>(505,427)</b>	195,594
<b>Non-current liability</b>			
Bonds		8,019	64,581
<b>Net (liabilities)/ assets</b>		<b>(513,446)</b>	131,013
<b>Capital and reserves</b>			
Share capital		118,204	118,204
Reserves		(631,650)	12,809
<b>Total (capital deficiency)/equity</b>		<b>(513,446)</b>	131,013

Chong Heung Chung Jason  
DIRECTOR

Liu Moxiang  
DIRECTOR

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

### 49. 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 2021	722,261	(27,191)	–	(227,800)	467,270
Loss for the year	–	–	–	(494,190)	(494,190)
Fair value loss on financial assets at fair value through other comprehensive income	–	(9,509)	–	–	(9,509)
Total comprehensive expense for the year	–	(9,509)	–	(494,190)	(503,699)
Recognition of equity-settled share based payments	–	–	2,562	–	2,562
Issue of shares for debt capitalisation (Note 40)	36,816	–	–	–	36,816
Issue of shares for share swap (Note 40)	9,860	–	–	–	9,860
At 31 March 2022	768,937	(36,700)	2,562	(721,990)	12,809
Loss for the year	–	–	–	(646,606)	(646,606)
Fair value gain on financial assets at fair value through other comprehensive income	–	2,147	–	–	2,147
Total comprehensive expense for the year	–	2,147	–	(646,606)	(644,459)
At 31 March 2023	<b>768,937</b>	<b>(34,553)</b>	<b>2,562</b>	<b>(1,368,596)</b>	<b>(631,650)</b>

Note:

- The balance represents an amount of less than HK\$1,000.

### 50. Litigation

#### (a) Maxx Capital Finance Limited (HCCW 190/2022 and HCA 1810/2022)

A winding-up petition (HCCW 190/2022) (the “**Petition**”) was presented on 27 May 2022 against the Company by Maxx Capital Finance Limited (the “**Petitioner**”) for the claim of a guaranteed note issued to the Petitioner, plus outstanding and accrued interest in the sum of approximately HK\$22,893,000, up to 4 May 2022. As the Company believed that the Petitioner had breached its settlement agreement with the Company, on 13 July 2022, the Company filed a summons at the High Court to strike out the Petition (the “**Summons**”). The hearing of the Summons had been held on 30 November 2022, and the next petition hearing is on 17 July 2023. Apart from that, the Company claims against the Petitioner for at least HK\$84.52 million for the Petitioner refused to withdraw HCCW 190/2022 and cause right issues to be stopped. Up to date of this report, the claim against the Petitioner is still in progress. In view of the aforesaid, the directors of the Company believe that the Petition will be struck out.

For details of the winding-up petition, please refer to the announcements of the Company dated 1 June 2022, 8 June 2022, 13 June 2022, 23 June 2022, 18 July 2022, 21 July 2022, 25 October 2022, 30 November 2022, 23 December 2022, 16 January 2023, 20 January 2023 and 31 January 2023.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 50. Litigation (Continued)

### (b) ACCP Global Limited (HCA1618/2021)

On 1 September 2021, ACCP Global Limited (the “**Subscriber**”) entered into a share subscription agreement (“**SSA**”) with the Company pursuant to which the Company conditionally agreed to allot and issue 86,000,000 shares (the “**Shares**”) of the Company at a subscription price of HK\$2.50 per share to the Subscriber. On 29 September 2021, the Shares of the Company were allotted and issued to the Subscriber in two batches with the first one consisting of 40,000,000 and the second one comprising 46,000,000 of the Shares. However, the Subscriber refused to pay the full consideration for the Shares at the subscription price pursuant to the SSA on the grounds that the Company allegedly misrepresented that it was in good financial health and standing and was not in default of any of its existing liabilities, despite being in default of multiple bond payables upon the date of SSA. On that basis, the Subscriber claimed that the SSA had been repudiated and was not obliged to perform its obligations pursuant to the SSA. On 26 October 2021, the Subscriber filed a writ of summons (HCA1618/2021) against the Company and Mr. Chong Heung Chung Jason, the chairman and executive director of the Company, to claim for the damages, cost, interest on the damages and further or/and other relief resulting from the alleged fraudulent misrepresentations made by the Company.

The Company denied the alleged misrepresentations and on 6 May 2022, the Company filed a Defence and Counterclaim against the Subscriber and other 2 concerned parties for damages to be assessed, an account of profits and payment of sums found due, cost, interest and further or/and other relief.

Having evaluated the merits of the Company’s case, the directors of the Company believe that the Subscriber’s claim for the alleged misrepresentation is groundless. In view of the aforesaid, the directors of the Company consider that no provision for this claim is necessary. The next hearing of Case Management Summons will be held on 9 January 2024.

For details of the share subscription, please refer to the announcements of the Company dated 1 September 2021 and 8 December 2021.

### (c) Claims from bond holders

During the year ended 31 March 2022 and up to the date of this report, several demand letters and statutory demands were served on the Company by bond holders of the Company (the “**Bond Holders**”), demanding the Company to repay outstanding bond payables and accrued interest in an aggregate amount of approximately HK\$51,000,000.

As of the date of this report, no legal action has been taken by the Bond Holders. Further, the Company is still proactively negotiating with the Bond Holders for repayment schedules.

### (d) Legal claim against HuaJiatai (Shanghai) Indoor Amusement Co., Ltd.

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 2023, the case has been settled.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 51. Event after the reporting period

By an Order dated 21 April 2023 (the “**Court Order**”) made by the High Court of the Hong Kong Special Administrative Region (“**Court**”) in relation to the proposed scheme of arrangement between the Company and the creditors under the Companies Ordinance (Cap. 622) (the “**Scheme**”), the Court has directed that a scheme meeting (the “**Scheme Meeting**”) be convened of the creditors of the Company for the purpose of considering and, if thought fit, approving (with or without modification or condition approved and imposed by the Court) the Scheme proposed to be made between the Company and the creditors pursuant to the Companies Ordinance (Cap. 622). The Scheme has been approved by the requisite majorities of the creditors of the Company on the Scheme Meeting on 27 June 2023. The Company will submit the results of the Scheme Meeting to the Court for the sanctioning of the Scheme. The Court hearing for sanctioning the Scheme is scheduled to be heard on 8 November 2023 and 9 November 2023 unless otherwise ordered by the Court.

For details please refer to the announcements of the Company dated 5 June 2023 and 27 June 2023.

## FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 March				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	<b>360,302</b>	453,136	478,309	391,814	632,881
Cost of sales and services	<b>340,362</b>	(390,410)	(310,609)	(324,045)	(474,205)
Gross Profit	<b>19,940</b>	62,726	167,700	67,769	158,676
Other income	<b>16,429</b>	10,559	8,370	4,588	7,515
Other gains and losses	<b>2,957</b>	(8,154)	52,558	130,148	78,650
Selling and distribution expenses	<b>(69,189)</b>	(14,954)	(12,895)	(23,432)	(22,840)
Administrative expenses	<b>(155,748)</b>	(180,067)	(87,020)	(122,000)	(93,129)
Research and development expenses	<b>(262,570)</b>	(11,678)	(10,807)	(19,394)	(17,986)
Share of profit of a joint venture	<b>(87,743)</b>	(18,930)	8,709	–	–
Share of result of associates	<b>(97,943)</b>	(112,351)	8,773	(297)	–
Gain on disposal of a subsidiary	<b>–</b>	–	–	161,953	–
Finance costs	<b>(80,663)</b>	(80,638)	(88,659)	(77,997)	(55,363)
Impairment loss on investment in joint venture	<b>–</b>	(2,156)	–	–	–
Impairment loss on property, plant and equipment	<b>–</b>	(69,589)	–	–	–
Impairment loss on right-of-use assets	<b>–</b>	(20,566)	–	–	–
Impairment loss on intangible assets	<b>(58,801)</b>	(96,051)	–	–	–
Reversal of/(Provision of impairment loss) on trade and other receivables	<b>(283,743)</b>	(537,296)	5,227	(17,971)	(10,614)
Other expense	<b>–</b>	–	–	(387)	(188)
(Loss)/profit before taxation	<b>(1,057,083)</b>	(1,079,145)	51,956	102,980	44,721
Taxation	<b>23,937</b>	18,679	19,026	6,508	14,843
(Loss)/profit for the year	<b>(1,033,146)</b>	(1,060,466)	70,982	109,488	59,564
Other comprehensive income (expense):					
Item that may be reclassified to profit or loss:					
Remeasurement of defined benefit plans	<b>(581)</b>	(1,368)	(1,124)	(1,490)	838
Fair value gain/(loss) on financial assets at fair value through other comprehensive income					
– investment in debt instrument at fair value through other comprehensive income	<b>594</b>	–	–	–	–
– investment in equity instrument at fair value through other comprehensive income	<b>1,021</b>	(45,442)	75,536	(26,394)	(54,654)
– hedging instrument for fair value hedge	<b>–</b>	–	(65,202)	–	–
Items that may be reclassified subsequently differences arising on translation of:					
– subsidiaries	<b>(123)</b>	5,172	(2,452)	(6,219)	(10,485)
– associate	<b>–</b>	–	–	(598)	(451)
Other comprehensive income (expense) for the year	<b>911</b>	(41,638)	6,758	(34,701)	(64,752)
Total comprehensive income (expense) for the year	<b>(1,032,235)</b>	(1,102,104)	77,740	74,787	(5,188)

## FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 March				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
(Loss)/profit for the year attributable to:					
Owners of the Company	<b>(1,033,575)</b>	(1,050,184)	83,086	105,222	58,372
Non-controlling interests	<b>429</b>	(10,282)	(12,104)	4,266	1,192
	<b>(1,033,146)</b>	(1,060,466)	70,982	109,488	59,564
<b>ASSETS AND LIABILITIES</b>					
Total assets	<b>562,497</b>	1,181,108	2,208,950	1,932,597	1,674,874
Total liabilities	<b>(1,447,359)</b>	(1,043,599)	(1,038,609)	(989,695)	(786,239)
Net (liabilities)/assets	<b>(884,862)</b>	137,509	1,170,341	942,902	888,635
Total equity attributable to owners of the Company	<b>(876,844)</b>	149,356	1,172,543	932,648	882,244
Non-controlling interests	<b>(8,018)</b>	(11,847)	(2,202)	10,254	6,391
<b>Total (capital deficiency)/equity</b>	<b>(884,862)</b>	137,509	1,170,341	942,902	888,635