

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



華夏文化科技集團
CA CULTURAL TECHNOLOGY GROUP

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)

(Stock code: 01566)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORTS FOR THE YEARS ENDED 31 MARCH 2022 AND 31 MARCH 2023

References are made to (i) the annual reports of CA Cultural Technology Group Limited (the “**Company**”) for the years ended 31 March 2022 (the “**2022 Annual Report**”) and 31 March 2023 (the “**2023 Annual Report**”) respectively; (ii) and the supplemental announcement of the Company dated 11 November 2022 (the “**Supplemental Announcement**”) in relation to the additional information provided by the Company in relation to the 2022 Annual Report. Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the 2022 Annual Report and the Supplemental Announcement.

This announcement is made by the Company to provide supplemental information to the 2022 Annual Report and the 2023 Annual Report regarding impairment losses incurred by the Group during the financial years ended 31 March 2022 and 31 March 2023.

FURTHER INFORMATION IN RELATION TO THE GROUP'S IMPAIRMENT LOSSES RECOGNISED FOR THE YEAR ENDED 31 MARCH 2022

(A) IMPAIRMENT LOSS ON OTHER RECEIVABLES

(I) Impairment incurred in respect of the prepayments made by the Group in relation to its theme parks

Prior to the outbreak of the COVID-19 pandemic (the “**COVID-19**”), the Group had intended to expand its theme park business and made various prepayments in the aggregate amount of approximately HK\$314.79 million to other third parties, namely constructors and renovators in the PRC, for the construction of additional theme parks for the Group. These third parties, upon receiving prepayments from the Company, arranged and completed preliminary works of design, conception, planning and venues selection for the Group's theme parks, and purchased construction and renovation materials needed for the construction and/or renovation of these theme parks. However, the COVID-19 had severely hindered the entry and exit of personnel and the transportation of overseas imported equipment and material in the PRC, which affected the construction progress of these theme parks as well as the financial capacity of these third parties.

In light of the stagnated construction progress, the Group has requested for the refund of such prepayments. These third parties attempted to cash out the purchased construction materials as partial repayment to the Group, but it was difficult for them to sell the said materials in the open market and return sufficient advance repayment to the Group due to the ongoing impact of the COVID-19 at the material time and the Group could not receive any refund from these third parties.

Set out below is the details of the prepayments made by the Company to parties, and each of their ultimate beneficial owners, who are third parties independent of and not connected with the Company and/or its subsidiaries and their respective connected persons (“**Independent Third Parties**”), in relation to the expansion of its theme park business, including but not limited to, the setting up and assembling of the entertainment amenities in Joypolis and Wonder Forest:

Summary of the agreements/transactions giving rise to the other receivables

(i) **Arto Design Construction Limited*** (雅圖設計工程有限公司) (“Arto Design”)

Counterparty	Arto Design
Ultimate beneficial owner(s)	Cai Shaohuan* (蔡少環), a PRC citizen and an Independent Third Party
Principal business	Arto Design and its beneficial owner have been principally engaged in renovation engineering, games development and multimedia entertainment business for over 5 years.
Date and Agreements	A. Construction Contract dated 6 July 2018 B. 1st Supplemental Construction Contract dated 6 July 2018 C. 2nd Supplemental Agreement to the construction project dated 17 March 2022 (a deposit refund agreement), entered to reach a settlement to refund the balance of the prepayment in the amount of HK\$41,061,000 within one year to the Company (i.e. 17 March 2023).
Original amount	The Company has paid HK\$43,200,000 to Arto Design as prepayment for the construction projects under the Construction Contract. Pursuant to the Construction Contracts, the total/remaining amount of the construction is expected to be re-evaluated after the construction is 50% completed. Subject to the above, the prepayment amount was expected to be no more than 30% of the preliminarily estimated total construction amount.
Due date	On or before 17 March 2023
Gross outstanding balances as at 1 April 2021	HK\$40,859,500

ECL/write-off recognised in P&L for 31 March 2021	Nil
ECL/write-off recognised in P&L for 31 March 2022	Approximately HK\$16,052,469
ECL/write-off recognised in P&L for 31 March 2023	Approximately HK\$24,807,031
Impairment as at 31 March 2023	HK\$40,859,500
Nature of the transaction	Construction project – including but not limited to, renovation and assembling entertainment amenities of the Group
Respective payment terms	The Group has paid a prepayment/deposit in the amount of HK\$43,200,000 to Arto Design for it to complete the constructions of 60 Wonder Forest kid amusement parks.
(ii) Green Metro Holdings Limited* (翠都控股有限公司) (“Green Metro”)	
Counterparty	Green Metro
Ultimate beneficial owner(s)	Gao Cui* (高翠), a PRC citizen and an Independent Third Party
Principal business	Green Metro and its beneficial owner have been principally engaged in renovation engineering for over 5 years.
Date and Agreements	<p>A. Construction Contract dated 12 July 2018</p> <p>B. 1st supplemental Agreement to the Construction Contract dated 12 July 2018</p> <p>C. 2nd Supplemental Agreement to the Construction Contract dated 29 March 2022 (a deposit refund agreement), entered to reach a settlement to refund the balance of the prepayment in the amount of HK\$50,566,000 within one year to the Company (i.e. 29 March 2023).</p>

Original amount	The Company has paid HK\$52,866,000 to Green Metro as prepayment for the construction projects under the Construction Contract. Pursuant to the Construction Contracts, the total/remaining amount of the construction is expected to be re-evaluated after the construction is 50% completed. Subject to the above, the prepayment amount was expected to be no more than 30% of the preliminarily estimated total construction amount.
Due date	Green Metro was supposed to repay the Group by 29 March 2023
Gross outstanding balances as at 1 April 2021	HK\$50,326,000
ECL/write-off recognised in P&L for 31 March 2021	Nil
ECL/write-off recognised in P&L for 31 March 2022	Approximately HK\$19,772,000
ECL/write-off recognised in P&L for 31 March 2023	Approximately HK\$30,554,000
Impairment as at 31 March 2023	HK\$50,326,000
Nature of the transaction	Construction project – including but not limited to, renovation and assembling entertainment amenities of the Group
Respective payment terms	The Group has paid a prepayment/deposit in the amount of HK\$52,866,000 to Green Metro for it to complete the construction and renovation of JOYPOLIS indoor theme park in Tianjin.

(iii) Huizhou Jinfeng Construction Engineering Co., Ltd.* (惠州金豐建築工程有限公司) (“Jinfeng Construction”)

Counterparty	Jinfeng Construction
Ultimate beneficial owner(s)	Li Chunping* (李春萍) and Peng Jianfeng* (彭劍峰), both are PRC citizens and Independent Third Parties
Principal Business	Jinfeng Construction and its beneficial owner have been principally engaged in construction and decoration engineering for over 10 years.
Date and Agreement	A. Construction Contract dated 30 September 2018 B. 1st Supplemental Agreement to the Construction Contract dated 30 September 2018 C. 2nd Supplemental Agreement to the Construction Contract dated 30 March 2022 (a deposit refund agreement), entered to reach settlements between (i) to refund the balance of the prepayment in the amount of HK\$42,050,000 within one year to the Company (i.e. 30 March 2023); or (ii) re-completion of the project according to a mutually agreed date.
Original amount	The Company has paid HK\$42,800,000 to Jinfeng Construction as prepayment for the construction projects under the Construction Contract. Pursuant to the Construction Contracts, the total/remaining amount of the construction is expected to be re-evaluated after the construction is 50% completed. Subject to the above, the prepayment amount was expected to be no more than 30% of the preliminarily estimated total construction amount.

Due date	(i) to refund the balance of the prepayment in the amount of HK\$42,050,000 within one year to the Company (i.e. 30 March 2023)
	(ii) re-completion of the project according to a mutually agreed date
Gross outstanding balances as at 1 April 2021	HK\$42,050,000
ECL/write-off recognised in P&L for 31 March 2021	Nil
ECL/write-off recognised in P&L for 31 March 2022	Approximately HK\$16,520,180
ECL/write-off recognised in P&L for 31 March 2023	Approximately HK\$25,529,820
Impairment as at 31 March 2023	HK\$42,050,000
Nature of the transaction	Construction project – including but not limited to, renovation and assembling entertainment amenities of the Group
Respective payment terms	The Group has paid a prepayment/deposit in the amount of HK\$42,800,000 to Jinfeng Construction for it to govern, monitor and complete the constructions of JOYPOLIS indoor park located in Nanshan, Shenzhen.

(iv) **Shenzhen Meijiating Decoration Co., Ltd.* (深圳市美佳庭裝飾有限公司)**
(“Meijiating”)

Counterparty	Meijiating
Ultimate beneficial owner(s)	Li Huirong* (李輝蓉), a PRC citizen and an Independent Third Party
Principal business	Meijiating and its beneficial owner is principally engaged in research and development of renovation engineering technology, design of renovation engineering, domestic trade, import and export of goods and technologies for over 10 years.
Date and Agreements	A. Construction Contract dated 20 July 2018 B. 1st Supplemental Agreement to the Construction Contract dated 20 July 2018 C. 2nd Supplemental Agreement to the Construction Contract dated 28 February 2022 (a deposit refund agreement), entered to reach a settlement to refund the balance of the prepayment in the amount of HK\$45,271,000 within one year to the Company (i.e. 28 February 2023).
Original amount	The Company has paid HK\$47,550,000 to Meijiating as prepayment for the construction projects under the Construction Contract. Pursuant to the Construction Contracts, the total/remaining amount of the construction is expected to be re-evaluated after the construction is 50% completed. Subject to the above, the prepayment amount was expected to be no more than 30% of the preliminarily estimated total construction amount.
Due date	Meijiating was supposed to repay the Group by 28 February 2023.
Gross outstanding balances as at 1 April 2021	HK\$45,060,500

ECL/write-off recognised in P&L for 31 March 2021	Nil
ECL/write-off recognised in P&L for 31 March 2022	Approximately HK\$17,703,000
ECL/write-off recognised in P&L for 31 March 2023	Approximately HK\$27,357,500
Impairment as at 31 March 2023	HK\$45,060,500
Nature of the transaction	Construction project – including but not limited to, renovation and assembling entertainment amenities of the Group
Respective payment terms	The Group has paid a prepayment/deposit in the amount of HK\$47,550,000 to Meijiating for it to complete the construction of 80 Wonder Forest kid amusement parks.
(v) Hong Kong Toyo Alumi Company Limited* (香港東洋鋁業有限公司) (“Toyo Alumi”)	
Counterparty	Toyo Alumi
Ultimate beneficial owner(s)	Shum Sui On* (岑瑞安), a Hong Kong citizen and an Independent Third Party
Principal business	Toyo Alumi is principally engaged in decoration engineering and management for over 12 years.
Date and Agreements	A. Construction Contract dated 3 July 2018 B. 1st Supplemental Construction Contract dated 3 July 2018

- C. 2nd Supplemental Agreement dated 14 March 2022 (a deposit refund agreement), entered to reach settlements between (i) to refund the balance of the prepayment in amount of HK\$67,000,560 within one year to the Company (i.e. 14 March 2023); or (ii) re-completion of the project according to a mutually agreed date.

Original amount	The prepayment of the construction project under the Construction Contract paid to Toyo Alumi was in the amount of HK\$72,911,000. Pursuant to the Construction Contracts, the total/remaining amount of the construction is expected to be re-evaluated after the construction is 50% completed. Subject to the above, the prepayment amount was expected to be no more than 30% of the preliminarily estimated total construction amount.
Due date	(i) to refund the balance of the prepayment in amount of HK\$67,000,560 within one year to the Company (i.e. 14 March 2023); or (ii) re-completion of the project according to a mutually agreed date
Gross outstanding balances as at 1 April 2021	HK\$67,000,560
ECL/write-off recognised in P&L for 31 March 2021	Nil
ECL/write-off recognised in P&L for 31 March 2022	Approximately HK\$26,322,500
ECL/write-off recognised in P&L for 31 March 2023	Approximately HK\$40,678,060
Impairment as at 31 March 2023	HK\$67,000,560

Nature of the transaction	Construction project – including but not limited to, renovation and assembling entertainment amenities of the Group
Respective payment terms	The Group has paid a prepayment/deposit in the amount of HK\$72,911,000 to Toyo Alumi for it to govern, monitor 300 Wonder Forest kids amusement park and complete the constructions of 80 Wonder Forest kids amusement parks.
(vi) Wealth Gather Enterprise Limited* (集豐企業有限公司) (“Wealth Gather”)	
Counterparty	Wealth Gather
Ultimate beneficial owner(s)	Zeng Huaqiao (曾華橋), a PRC citizen and an Independent Third Party
Principal business	Wealth Gather and its beneficial owner is principally engaged in renovation engineering, equipment manufacturing (theme park related) and consultancy for theme park business for over 10 years.
Date and Agreements	<p>A. Construction Contract dated 15 August 2018</p> <p>B. 1st Supplemental Construction Contract dated 15 August 2018</p> <p>C. Supplemental Agreement to the Construction Contract dated 8 March 2022 (a deposit refund agreement), entered to reach settlement to refund the balance of the prepayment in amount of HK\$53,033,000 within one year to the Company (i.e. 8 March 2023).</p>

Original amount	The prepayment of the construction project under the Construction Contract paid to Wealth Gather was in the amount of HK\$55,460,000. Pursuant to the Construction Contracts, the total/remaining amount of the construction is expected to be re-evaluated after the construction is 50% completed. Subject to the above, the prepayment amount was expected to be no more than 30% of the preliminarily estimated total construction amount.
Due date	On or before 8 March 2023
Gross outstanding balances as at 1 April 2021	HK\$52,830,030
ECL/write-off recognised in P&L for 31 March 2021	Nil
ECL/write-off recognised in P&L for 31 March 2022	Approximately HK\$20,755,330
ECL/write-off recognised in P&L for 31 March 2023	Approximately HK\$32,074,700
Impairment as at 31 March 2023	HK\$52,830,030
Nature of the transaction	Construction project – including but not limited to, construction of large-scale theme park, renovation and assembling entertainment amenities of the Group
Respective payment terms	The Group has paid a prepayment/deposit in the amount of HK\$55,460,000 to Wealth Gather for it to govern, monitor and complete the constructions of JOYPOLIS indoor park located in Tangxia, Dongguan.

The Company's assessment on the credit risks of the counterparties

The Company is of the opinion that,

- (i) after reviewing the counterparties' statutory documents and qualifications including but not limited to, renovation construction qualification or decoration construction management performance, it has been determined that the counterparties meet the business qualifications as an independent project contractor that matches the Group's requirement to construct the construction project under the construction contract;
- (ii) after reviewing the counterparties' litigation record, it has been found that there is no pending litigation, arbitration, contingent liabilities, administrative penalties, affiliations or illegal contracting with its employees prior to the entering of the construction contract; and
- (iii) through conversations with peers and discussions with the counterparties' management, the reputation of the counterparties and their management's leadership and the degree of integrity have been assessed and evaluated.

The Group had also sent senior management personnel who are in charge of the Company's theme park project in the PRC to conduct on-site inspections and visit venues proposed by the counterparties. This includes engaging in interviews with its project management and construction technicians to gain deeper insights into the design and construction process of the project, as well as the use and application of relevant technologies and materials. As the results of the discussion were satisfactory to the Group, the Directors therefore considered that the counterparties would be able to meet the requirements of the Group's construction technology capabilities and coordination management capabilities.

Reasons for the transactions giving rise to the balances

The Group acquired Sega Live Creation Inc. from Sega Sammy Holdings in Japan in the first quarter of 2017, and renamed it as CA Sega Joypolis Limited after the acquisition. Following the Group's post-acquisition business strategy, it intends to rapidly and vigorously develop CA Sega Joypolis Limited. Its offline entertainment brands include the "CA Sega Joypolis" large-scale indoor park brand and the "CA Sega Wonder Forest" kids amusement park brand. After conducting market analysis and strategy formulation, the Company intended to commence the construction of 300 Wonder Forest kids amusement parks and JOYPOLIS large-scale indoor parks in the PRC in 2018 to quickly occupy the Chinese market and achieve the company's business goals.

After conducting due diligence on the counterparties, the Group entered into construction contracts (the "**Construction Contracts**") with the counterparties to develop and construct 60 Wonder Forest kid amusement parks in the Central China region.

However, about a year and a half after the start of the preliminary work, the COVID-19 began to spread in the PRC, and the continuous outbreak caused a suspension of the construction project under the Construction Contracts. At that time, both the management of the Group and counterparties were positive that the impact would be temporary but were unable to accurately estimate when the constructions could resume to normal. During this period, even though the Group had been requesting the counterparties to either refund its prepayment should they could not continue with the construction projects under the Construction Contracts, the counterparties argued that the force majeure factors of the epidemic and the Company's special business nature were the main reasons that caused the suspension of work, and that their obligations under the respective contracts should be exempted to a certain extent.

Eventually, the Group and the counterparties entered into the supplementary agreements to the Construction Contract (the "**Construction Supplemental Agreements**"), pursuant to which the counterparties should refund the prepayments made by the Company.

Reasons and events leading to the default of payment and when the Company was aware

From the beginning of 2020 to the beginning of 2023, the continuous outbreak of COVID-19 has seriously delayed the progress of constructions of the parks. Most of the materials purchased by the counterparties could not be used for its construction, and became inventory materials. Moreover, following the implementation of the "Three Red Lines Policy" by the PRC government, real estate companies in the PRC have generally been significantly affected. Owners of the real estate companies were suffering from cash flow problems and stagnant property constructions. Having combined with the impacts of COVID-19 where construction sites were also in a state of suspension, the resume time for constructions cannot be determined which resulted in the theme park construction project to be forced to suspend work.

At the beginning of 2023, the construction sites were still in a state of suspension and the construction workers were waiting to enter the site. Due to the impact of COVID-19, the offline parent-child parks in the PRC are basically at down turn situation, so the counterparties cannot repay the prepayment to the Company by disposing all the purchased materials in the market.

The Group has a management team in the PRC that is responsible for supervising the constructions progresses of its contractors, and assessing the quality of materials used. The Group has been in regular negotiations with the counterparties regarding the extended time required for the completion of the constructions or other settlement. The Group and the counterparties entered into the Construction Supplemental Agreements in relation to the repayment of the prepayments made by the Company.

Assessment on expected credit loss of the other receivables in respect of the prepayments made by the Group in relation to its theme parks

Set out below are summary of the assessment on expected credit loss of the other receivables in respect of the prepayments made by the Group in relation to its theme parks:

Counterparties	Gross carrying amount as at 31 March 2022 (HK\$' million) (approx.)	Expected loss rate adopted for the year ended 31 March 2022 (note)				Amount of provision recognised for the year ended 31 March 2022 (HK\$' million) (approx.)	Net carrying amount as at 31 March 2022 (HK\$' million) (approx.)
		P1	P2-1	P2-2	P3		
		(approx.)	(approx.)	(approx.)	(approx.)		
Arto Design	40.86	39.29%	–	–	–	16.05	24.81
Toyo Alumni	67.00	39.29%	–	–	–	26.32	40.68
Meijiating	45.06	39.29%	–	–	–	17.70	27.36
Green Metro	50.33	39.29%	–	–	–	19.77	30.55
Jinfeng Construction	42.05	39.29%	–	–	–	16.52	25.53
Wealth Gather	52.83	39.29%	–	–	–	20.76	32.07

Counterparties	Gross carrying amount as at 31 March 2023 (HK\$' million) (approx.)	Expected loss rate adopted for the year ended 31 March 2023 (note)				Amount of provision recognised for the year ended 31 March 2023 (HK\$' million) (approx.)	Net carrying amount as at 31 March 2023 (HK\$' million) (approx.)
		P1	P2-1	P2-2	P3		
		(approx.)	(approx.)	(approx.)	(approx.)		
Arto Design	40.86	–	100.00%	–	–	40.86	–
Toyo Alumni	67.00	–	100.00%	–	–	67.00	–
Meijiating	45.06	–	100.00%	–	–	45.06	–
Green Metro	50.33	–	100.00%	–	–	50.33	–
Jinfeng Construction	42.05	–	100.00%	–	–	42.05	–
Wealth Gather	52.83	–	100.00%	–	–	52.83	–

Notes:

Each outstanding debtor of other receivables will be assigned to different stages from P1 to P3 by the Valuer.

P1 represents those who have no overdue or overdue 1 to 90 days and 12-months ECL is adopted. And the aforementioned industry probability of default and recovery rate were then adopted for the exposure of each debtor under P1.

P2-1 represents those who have overdue 91 to 180 days, for which will be assigned with a B- credit rating and its corresponding probability of default by referencing to the S&P Study.

P2-2 represents those who have overdue 181 to 365 days, for which will be assigned with a C credit rating and its corresponding probability of default by referencing to the S&P study. Lifetime expected credit losses are adopted under stage P2-1 and P2-2. And the Valuer referenced to the Moody's Study again for the recovery rate for P2-1 and P2-2.

P3 represents those who have overdue more than 365 days, for which will be considered default and assigned with a D credit rating as well as a 100% probability of default with no recovery rate, and lifetime expected credit losses are adopted.

Actions taken/to be taken and status of the projects

The Group has had regular communications and meetings with the counterparties in relation to suggestions and decisions on pre-planning and purchase of materials required for the construction projects during 2018 to 2019.

In 2020, due to objective problems and delays in the project as mentioned above, the management team of the Group went to the counterparties' office to negotiate with the personnels in charge, at the same time, the Group also issued corporate letters every six months, requesting the counterparties to deal with the delayed projects and the Company's prepayment as soon as possible. The managements of the counterparties considered that the construction shutdown was mainly caused by the force majeure factors of COVID-19 and the Company's special business nature and had been negotiating with the Company to reach a solution that could be acceptable to both parties.

After the Group's continuous efforts in follow-up and negotiations, the counterparties and the Company entered into the Construction Supplemental Agreements. Prior to the abovesaid, the Group requested the counterparties to refund the advance payment and had sent personnels to its office to understand and chase for the advance payment. Since December 2022, the Group has established an accounts receivable collection committee (the "**Receivable Collection Committee**") to follow-up and to take necessary actions on the recovery of funds and make regular feedback reports to the Group.

Having reviewed the collection feedback reports from the Receivable Collection Committee and considering the fact-findings of the market by the management team of the Group, the Directors understood and agreed to the facts that the industry situation in the PRC was unsatisfactory at the material time, and that it could be difficult for the counterparties to sell its construction materials to repay the Company's advance payment. Since March 2023, the control measures of COVID-19 have been released in the PRC, the Group expects to continue to expand the business market in the PRC after the completion of the proposed debt restructuring. Taking into account that certain materials and sites were prepared and taking legal actions to recover the advance payment may lead to the liquidation of the counterparties, resulting in a low recovery return for the Company, including but not limited, limit money that could recovered and high legal costs incurred.

As at the date of this announcement, in light of the previous satisfactory collaborations experience with these counterparties and having re-evaluating its strategies and resources allocation, the Group proposed and has reached mutual understandings and entered into memorandum of understandings and supplemental agreements with these counterparties to resume its construction services and resources on their original project or transferred to the Group's upcoming theme parks projects. Details as follows,

- (i) Arto Design entered an agreement with the Company to resume its construction services for the Company's Wonder Forest Kids Amusement Park project in Shanghai on original terms and the provision of such services has been resumed;
- (ii) Green Metro entered an agreement with the Company to resume its construction services for the Company's upcoming theme park project of Joypolis indoor theme park in Shanghai on original terms and the provision of such services has been resumed;
- (iii) Huizhou Jinfeng entered a memorandum of understanding with the Company to resume its construction services for the Company's upcoming theme park projects but the location and types of theme park has not been decided. Accordingly, the services have not been resumed but the Company will continue to discuss and negotiate with Jinfeng Construction on this regard;
- (iv) Meijiating entered an agreement with the Company to resume its construction services for the Company's Wonder Forest Kids Amusement Park project in Liuzhou of Guangxi province on original terms and the provision of such services has been resumed;
- (v) Toyo Alumi entered into a memorandum of understanding with the Company to resume its construction services for the Company's upcoming theme park projects but the location and types of theme park has not been decided. Accordingly, the services have not been resumed but the Company will continue to discuss and negotiate with Toyo Alumi on this regard; and

- (vi) Wealth Gather entered into an agreement with the Company to resume its construction services for the Company's upcoming theme park project of Joypolis indoor theme park in Jiangmen of Guangdong Province on original terms and the provision of such services has been resumed.

(II) Impairment incurred in respect of the disposal of the Company's intangible assets

The payment terms and arrangement in respect of the disposal of intangible assets set out below were made after arm's length negotiations between the Group and the respective counterparty and with reference to market practices. At the material time, the Group was focused on expanding its theme parks business and it has no specific arrangement or strategies on utilising the subject intangible assets of the Group effectively to generate income. The subject intangible assets would require the Company to invest in time, costs and resources from cultivating to testing and to releasing to the public before they could be bringing commercial returns. Thus, one of the Group's strategies was to outsource and cooperate with companies with relevant successful experience to cultivate and develop such intangible assets together to unlock and enhance further potential values. In light of the circumstance, the Company who has the legal control of the subject intangible assets that allow the Group to put such assets into commercial uses, would have to assign the rights of usage of the intangible assets to the respective counterparties so that they could utilise such assets (i.e. including the relevant research and development expenses) in their business operations in the process of developing them. Having considered that (i) such disposals would allow the Group to focus its resource to develop theme park business; (ii) the development of such intangible assets (i.e. source files to be developed into usable intellectual properties rights with commercial values) require time, cost and resources were to be sourced from the counterparties and were at the material time not effective utilising by the Group; (iii) upon development, the potential values of the intangible assets could be unlocked and utilised into the Group's entertainment amenities to further enhance its theme park and derivatives businesses; and (iv) the arrangement did not require the Group to incur immediate cash outflow, the Company considers that receiving the considerations of the disposals, being one year after the effective date of the respective agreements, to be appropriate and is in line with the Company's policies, market practices and interest at the material time.

Summary of the agreements/transactions giving rise to the other receivables

(i) Arto Design

Counterparty	Arto Design
Ultimate beneficial owner(s)	Cai Shaohuan* (蔡少環), a Hong Kong citizen and an Independent Third Party
Principal business	Arto Design and its beneficial owner is principally engaged in renovation engineering, games development and multimedia entertainment business for over 5 years.

Date and Agreement	<p>A. The transfer agreement of agency right of VR Game equipment dated 6 March 2020 (“Arto Transfer Agreement A”);</p> <p>B. The transfer agreement of copyright of a film dated 13 March 2020 (“Arto Transfer Agreement B”); and</p> <p>C. The transfer agreement of copyright of character image dated 13 March 2020 (“Arto Transfer Agreement C”) (collectively, the “Arto Transfer Agreements”).</p>
Original amount	<p>A. Total amount of the consideration under the Arto Transfer Agreement A is HK\$22,768,000.</p> <p>B. Total amount of the consideration under the Arto Transfer Agreement B is HK\$1,362,000.</p> <p>C. Total amount of the consideration under the Arto Transfer Agreement C is HK\$6,493,000.</p> <p>The total amount of considerations under the Arto Transfer Agreements is HK\$30,623,000.</p>
Due date	<p>Pursuant to the Arto Transfer Agreement A, Arto Design should pay the consideration on or before 6 March 2021.</p> <p>Pursuant to the Arto Transfer Agreement B and Arto Transfer Agreement C, Arto Design should pay the consideration on or before 13 March 2021.</p>
Gross outstanding balances as at 1 April 2021	Approximately HK\$30,230,250
ECL/write-off recognised in P&L for 31 March 2021	Approximately HK\$292,163
Repayment during 31 March 2022	HK\$1,138,400

ECL/write-off recognised in P&L for 31 March 2022	Approximately HK\$28,799,687
ECL/write-off recognised in P&L for 31 March 2023	Nil
Impairment as at 31 March 2023	HK\$29,091,850
Nature of the transaction	Transferring of the Group’s intangible assets
	The assets disposed of were:
	<ol style="list-style-type: none"> 1. According to the Arto Transfer Agreement A, the Group has transferred the global exclusive agency rights for a series of VR games and VR equipment to Arto Design. These VR games are equipped with hardware facilities designed for immersive experiences and corresponding game content software, including innovative themes such as VR rocket space capsules, VR simulated tanks, and VR large pirate ships, etc. Arto Design plans to use this series of VR games and equipment as amusement park rides in its China animation IP theme park development, and promote them to various commercial districts in central China. 2. According to the Arto Transfer Agreement B, the asset sold is the IP named “Tibetan Antelope King* (藏羚王)”. This IP is based on an animated series that aired in 2009, featuring the Tibetan antelope, a rare animal that inhabits the Qinghai-Tibet Plateau, and its great migration. Arto Design plans to use this “Tibetan Antelope King” IP as one of the series of Chinese animation IPs it is incubating, and use the “Tibetan Antelope King” animation materials owned by the Group to create VR games and theme park elements for promotion.

3. According to the Arto Transfer Agreement C, the assets sold is the intellectual property character of the “Tibetan Antelope King”. The film version of this animated series won the gold award at the 44th Houston International Film Festival. Arto Design also plans to acquire the image and film copyrights of “Tibetan Antelope King” to fully acquire all core rights of this IP, and use its graphic and animation materials for more extensive secondary creation and promotional purposes.

Respective payment terms Payment terms:

The total consideration to be paid by Arto Design to the Group for the agency right and copyrights was in the amount of HK\$30,623,000.

According to the Arto Transfer Agreements, the Company agreed that Arto Design could pay the considerations within one year after the date of the Arto Transfer Agreements respectively.

Moreover, it was agreed that Arto Design may authorize the Company to use the products under the Arto Transfer Agreements after receiving the agreed authorization fee. The Company can choose to offset part of the purchase price under the Arto Transfer Agreements with the authorization fee.

(ii) Red Perfect International Limited* (彤富國際有限公司) (“Red Perfect”)

Counterparty	Red Perfect
Ultimate beneficial owner(s)	AIKI Kazuya, a Japan citizen and an Independent Third Party
Principal business	Red Perfect and its beneficial owner is principally engaged in games development and multimedia entertainment business for over 9 years.
Date and Agreement	Transfer Agreement of Copyright dated 24 September 2019

Original amount	HK\$73,800,000
Due date	23 September 2020
Gross outstanding balances as at 1 April 2021	Approximately HK\$70,110,000
ECL/write-off recognised in P&L for 31 March 2021	Approximately HK\$1,678,246
ECL/write-off recognised in P&L for 31 March 2022	Approximately HK\$68,431,754
ECL/write-off recognised in P&L for 31 March 2023	Nil
Impairment as at 31 March 2023	Approximately HK\$70,110,000
Nature of the transaction	Transferring of the Group's intangible assets
Reasons to the transaction	The assets disposed of were a series of VR games independently developed by a subsidiary of the Company, including: <ol style="list-style-type: none"> 1. Fruit Ninja* (水果劍士), released in 2016 2. Bike Warrior* (騎行勇士), released in 2016 3. Wings of Time* (時光的翅膀), released in 2017 4. VR Agent, released in 2017 5. VR Drift Boat* (VR漂流船), released in 2016
Respective payment terms	Payment terms: The total consideration to be paid by Red Perfect to the Group for the VR games was in the amount of HK\$73,800,000.

According to the Transfer Agreement, the Company agreed that Red Perfect could pay the purchase price within one year after the date of the Transfer Agreement.

Moreover, it was agreed that Red Perfect may authorize the Company to use the VR games under the Transfer Agreement after receiving the agreed authorization fee. The Company can choose to offset part of the purchase price under the Transfer Agreement with the authorization fee.

(iii) State Shine (HK) Limited* (邦晴 (香港) 有限公司) (“State Shine”)

Counterparty	State Shine
Ultimate beneficial owner(s)	Gao Cui* (高翠), a PRC citizen and an Independent Third Party
Principal Business	State Shine and its beneficial owner is principally engaged in games development and multimedia entertainment business for over 7 years.
Date and Agreement	Transfer Agreement of Copyright dated 12 March 2020
Original amount	HK\$81,404,000
Due date	11 March 2021
Gross outstanding balances as at 1 April 2021	Approximately HK\$77,333,800
ECL/write-off recognised in P&L for 31 March 2021	HK\$776,647
ECL/write-off recognised in P&L for 31 March 2022	Approximately HK\$76,557,153
ECL/write-off recognised in P&L for 31 March 2023	Nil
Impairment as at 31 March 2023	Approximately HK\$77,333,800

Nature of the transaction Transferring of the Group’s intangible assets

The asset being disposed of in this transaction is the VR game “Huangyangjie Defense* (黃洋界保衛戰)” which was independently developed by a subsidiary of the company. This VR game aims to promote red tourism and is the only VR game to have won both the “2018 China Information Consumption Innovation Award” and the “2019 China Electronic Sports Innovation Software Gold Award” awarded by the China Information Industry Association. This VR game has been released and exhibited at various animation and virtual reality game festivals in the PRC and Hong Kong.

Respective payment terms **Payment terms:**

The total consideration to be paid by State Shine to the Group for the VR Game was in the amount of HK\$81,404,000.

According to the Transfer Agreement, the Company agreed that State Shine could pay the purchase price within one year after the date of the Transfer Agreement.

Moreover, it was agreed that State Shine may authorize the Company to use the VR Game under the Transfer Agreement after receiving the agreed authorization fee. The Company can choose to offset part of the purchase price under the Transfer Agreement with the authorization fee.

The Company’s assessment on the credit risks of the counterparties

The Group has verified the counterparties’ statutory documents and evaluated corporate background information, including but not limited to annual reports, which prove that the company exists and has no relationship with the Directors and management of the Group. Moreover, through conversations with peers and discussions with the counterparties’ management, it is determined that the counterparties have good resources and connections, with years of experience in the construction and renovation of relevant theme parks and investment and operation of cultural entertainment projects.

The Group conducted investigations and verifications in respect of the counterparties' compliance with local laws and regulations, administrative agencies, and tax authorities. The legality of its operating projects and the integrity of its performance, as well as litigation and arbitration situations, were also investigated and evaluated.

The verification feedback on the various situations mentioned above has met the Group's requirements for the credit risk assessment of the counterparties.

Reasons for the transactions giving rise to the balances

Through a period of cooperation and evaluation, the Company has learnt that the counterparties have good resources and connections, with years of experience in investment and operation of cultural entertainment projects. The counterparties, based on their abundant resources and experience, intended to introduce the Group's VR game products into their business and to incubate a series of their own Chinese animation IPs, promote them, and deepen its competitiveness within the industry. The counterparties were also expanding their brand image through a series of initiatives.

The Group has been investing in and injecting funds into the development of VR games for many years, with the aim of creating interesting and attractive VR game content. The Company decided to transfer the raw source files and materials under its IP to the counterparties so that they can further develop the Group's IPs and eventually put into commercial uses as they had demonstrated their past business resources and network, as well as their potential business plan, to increase the popularity of the VR games developed by the Group. The Company believes that the counterparties could combine the VR games with the enhanced IPs with added values to upgrade the animation IP experience. This could enhance the Group's corporate image and create a greater brand effect.

Reasons and events leading to the default of payment and when the Company was aware

Since 2020, the spreading of COVID-19 in the PRC became more serious, various blocking measures were implemented between various provinces and cities, including but not limited to, shutting down the city. The counterparties' operations had been significantly affected and their offline businesses were temporary suspended. Although the Group had transferred the ownerships of all the source files and materials related to the intangible assets of the Group to the counterparties so that they could add values to and utilize such IPs into commercial uses and generate economical returns, the counterparties could not pay their respective considerations on time since the operational situations for them and the animation market did not improve which then resulted in the counterparties failing to pay the consideration on time.

The Company has been monitoring the market and the counterparties' operating conditions in the PRC since the entering of the transfer agreements. At the material time, both the management of the Group and the counterparties were of a positive view that the negative impacts related to the COVID-19 could be recovered in the foreseeable future. Regardless, during such period (i.e. during 2020), based on the above explained reasons and market conditions, the Company continued its negotiations with the counterparties on whether it is necessary and reasonable to extend the due dates on the payment of the consideration under the transfer agreements or whether there are other settlement solutions.

Assessment on expected credit loss of the other receivables in respect of the disposal of the Company's intangible assets

Set out below are summary of the assessment on expected credit loss of the other receivables in respect of the disposal of the Company's intangible assets:

Counterparties	Gross carrying amount as at 31 March 2022 (HK\$' million) (approx.)	Expected loss rate adopted for the year ended 31 March 2022 (note)				Amount of provision for ECL recognised for the year ended 31 March 2022 (HK\$' million) (approx.)	Net carrying amount as at 31 March 2022 (HK\$' million) (approx.)
		P1	P2-1	P2-2	P3		
Arto Design	29.09	-	-	-	100.00%	29.09	-
Red Perfect	70.11	-	-	-	100.00%	70.11	-
State Shine	77.33	-	-	-	100.00%	77.33	-

Counterparties	Gross carrying amount as at 31 March 2023 (HK\$' million) (approx.)	Expected loss rate adopted for the year ended 31 March 2023 (note)				Amount of provision for ECL recognised for the year ended 31 March 2023 (HK\$' million) (approx.)	Net carrying amount as at 31 March 2023 (HK\$' million) (approx.)
		P1	P2-1	P2-2	P3		
Arto Design	29.09	-	-	-	100.00%	29.09	-
Red Perfect	70.11	-	-	-	100.00%	70.11	-
State Shine	77.33	-	-	-	100.00%	77.33	-

Notes:

Each outstanding debtor of other receivables will be assigned to different stages from P1 to P3 by the Valuer.

P1 represents those who have no overdue or overdue 1 to 90 days and 12-months ECL is adopted. And the aforementioned industry probability of default and recovery rate were then adopted for the exposure of each debtor under P1.

P2-1 represents those who have overdue 91 to 180 days, for which will be assigned with a B- credit rating and its corresponding probability of default by referencing to the S&P Study.

P2-2 represents those who have overdue 181 to 365 days, for which will be assigned with a C credit rating and its corresponding probability of default by referencing to the S&P study. Lifetime expected credit losses are adopted under stage P2-1 and P2-2. And the Valuer referenced to the Moody's Study again for the recovery rate for P2-1 and P2-2.

P3 represents those who have overdue more than 365 days, for which will be considered default and assigned with a D credit rating as well as a 100% probability of default with no recovery rate, and lifetime expected credit losses are adopted.

Actions taken/to be taken and status of the projects

As stated in the above, the Company has been monitoring the market and operation conditions of the counterparties over time. The Company sent its senior management personnel to office of the counterparties in the PRC to negotiate and explore feasible solutions. Moreover, in the second and third quarters of 2020, the Company learned that the offline VR game industry and theme park industry was greatly impacted that different containment measures were implemented in the regions where the counterparties operated due to COVID-19. As the operational situation for the counterparties and the market did not improve which then resulted in the counterparties failing to pay the consideration on time, the management team of the Company decided to suspend the registration procedures for the transfer of the related asset copyright and suspend the upgrade services.

The Company has maintained continuous negotiations with the counterparties, including but not limited to, video conferences, sent the management of the Company in PRC to conduct face-to-face meetings to collect the payment for the transaction consideration. Moreover, the Company sends formal collection letters to the counterparties at least twice a year, urging the counterparties to pay the consideration as soon as possible and to provide feasible remedial measures. However, as the market did not show enough signs of recovery to the Directors, the Company demanded the counterparties to pay the consideration as soon as possible or propose other settlement solutions.

Moreover, the Group has established the Receivable Collection Committee in December 2022. The Receivable Collection Committee, led by two independent non-executive Directors, and a team of professional senior domestic lawyers serves as legal advisors to ensure independence, supervision and professionalism and serve to collect outstanding receivables of the Group.

As a result of the shutting down of the e-sports stores in the PRC due to COVID-19, many virtual-reality developers were affected and were without sufficient cashflow for operations. Given the above circumstance, having monitored the market industry norm and trends and impacts affected by the outspreading of COVID-19, the Group has been negotiating with these counterparties but were given the responses that the suspension of their business operations was mainly caused by force majeure factors beyond the control of the parties and they were unable to generate any commercial values upon acquiring of the Group's intangible assets to settle the consideration of the said disposals.

Since the Company is of the view that the theme park and the offline virtual-reality e-sports industries would need additional time to fully recover, it has extended the deadline of the repayment as the counterparties may not be able to recover the full amount of the consideration in a timely manner and that the possible legal proceedings would require a relatively longer time and resources of the Group and therefore is not in the interests in the Company. As at the date of this announcement, the Company has received a total of HK\$370,000 (HK\$170,000 from Arto Design, HK\$100,000 from Red Perfect and HK\$100,000 from State Shine) according to the revised repayment schedules agreed with the counterparties.

(III) Impairment incurred in respect of the disposal of property, plant and equipment

Having been focusing on expanding its theme parks business and achieving asset-light operation model, the Group entered into agreements (i) to transfer its production and operation assets and certain trade and other receivables to Hui Zhou Hua Teng Chang Toy Co., Ltd.* (惠州市華騰昌玩具有限公司) (“**Hua Teng Chang**”); and (ii) to transfer its theme park related equipment and revenue sharing based on usage of these theme park related equipment to Wealth Gather, who has an established solid foundation of cooperation and business relationship that could help the Group to enhance and empower its theme park's operation team and bring incremental customers traffic.

Summary of the agreements/transactions giving rise to the other receivables

(i) Hua Teng Chang

Counterparty	Hua Teng Chang
Ultimate beneficial owner(s)	Lou Jingming* (樓景明), being the ultimate beneficial owner of Hua Teng Chang when the agreement was entered, a PRC citizen and an Independent Third Party
Date and Agreement	Transfer Agreement of Production Equipment dated 23 June 2020

Principal business	Hua Teng Chang and its beneficial owner is principally engaged in designing, producing, derivatives development and sales of derivatives production, mainly plastic toys to overseas in the PRC over 10 years.
Original amount	RMB68,000,000 (equivalent to approximately HK\$80,529,000)
Due date	8 June 2021, i.e. being 6 months after the date all the sales condition under the Transfer Agreement were met
Gross outstanding balances as at 1 April 2021	RMB68,000,000 (equivalent to approximately HK\$80,529,000)
ECL/write-off recognised in P&L for 31 March 2021	Approximately HK\$808,736
ECL/write-off recognised in P&L for 31 March 2022	Approximately HK\$83,052,264
ECL/write-off recognised in P&L for 31 March 2023	Reversal of approximately HK\$6,140,400
Impairment as at 31 March 2023	RMB68,000,000 (equivalent to approximately HK\$77,720,600)
Nature of the transaction	Transferring of the Group's production and operation assets, trade and other receivables and accounting records (including customers list)
Respective payment terms	Payment terms: The total consideration to be paid by Hua Teng Chang to the Group for the operation equipment was in the amount of RMB68,000,000 (equivalent to approximately HK\$80,529,000).

Upon completion of the delivery and acceptance of all transferred assets and business, Hua Teng Chang shall pay the consideration in the amount of RMB68,000,000 (equivalent to approximately HK\$80,529,000) within 6 months after meeting the sales conditions set out under the Transfer Agreement.

Moreover, it was agreed that in the event that Hua Teng Chang could not meet the sales order requirement set by the Group within 9 months from the date of the Transfer Agreement, such transaction will be terminated and that Hua Teng Chang would have to return all those assets under the Transfer Agreement to the Group and pay a rental fee for using of such assets over the respective period.

(ii) Wealth Gather

Counterparty	Wealth Gather
Ultimate beneficial owner(s)	Zeng Huaqiao* (曾華橋), a PRC citizen and an Independent Third Party
Principal business	Wealth Gather is principally engaged in renovation engineering, equipment manufacturing (theme park related) and consultancy for theme park business for over 10 years.
Date and Agreement	The Transfer Agreement and Cooperation of Equipment dated 27 March 2020
Original amount	HK\$60,397,305
Due date	27 March 2021
Gross outstanding balances as at 1 April 2021	Approximately HK\$56,009,167
ECL/write-off recognised in P&L for 31 March 2021	Approximately HK\$606,558

ECL/write-off recognised in P&L for 31 March 2022	Approximately HK\$51,248,118
ECL/write-off recognised in P&L for 31 March 2023	Reversal of approximately HK\$7,725,947
Impairment as at 31 March 2023	Approximately HK\$44,128,729
Nature of the transaction	Transferring of the Group's theme park related equipment
Respective payment terms	<p>Payment terms:</p> <p>The total consideration to be paid by Wealth Gather to the Group for the equipment was in the amount of HK\$60,397,305.</p> <p>According to the Transfer Agreement, the Company agreed that:</p> <ol style="list-style-type: none"> 1. Payment of Consideration: the Company agrees that Wealth Gather could pay the consideration for the purchased equipment within one year after the formal signing of the Transfer Agreement. 2. Revenue sharing: 70% of the revenue generated from the operation of such equipment should be shared with the Company, or 30% of the revenue generated from the operation of such equipment provided to Wealth Gather should offset part of the consideration. 3. Maintenance and Repair: Wealth Gather is responsible for the maintenance, repair, and update of the park equipment in the transaction.

4. Customer Channels: Wealth Gather must introduce their group customer channels in the South China region to bring incremental revenue to the Shanghai CA SEGA JOYPOLIS park, which must account for 30% or more of the total revenue (including the incremental revenue brought by Wealth Gather).
5. Revenue Target: The two parties will annually verify and inspect whether the revenue target has been achieved, and this will be the prerequisite for Wealth Gather to obtain 30% of the operating revenue from the transaction equipment.

In light of the revenue sharing arrangement under the above agreement, the Company was supposed to share a total of approximately RMB19.33 million to Wealth Gather (being the amount was generated from the operation of the subject equipment as at September 2023, however, and as agreed by the parties, the Company has utilised the said amount to offset the consideration payable by Wealth Gather to the Group).

The Company's assessment on the credit risks of the counterparties

The scale of due diligence tasks conducted on the counterparties included, but not limited to, understanding and evaluating of its corporate background, business scope. The Company has reviewed its business license, business information, order records and financial statements before entering into the Transfer Agreement.

Having conducted the above assessment, the Company is in the view that the counterparties satisfied the business needs of the Company. The industry position, market share and corporate scale of the counterparties are in line with the Group's requirements and transaction expectations.

In particular, the Group had reviewed court record of the counterparties, including but not limited to no relevant dishonesty information, legal proceedings, legal and administrative compliance, equity pledge, tax and environmental protection compliance, etc. After reviewing their relevant qualification certificates, the import and export credit rating of the counterparties at the local customs and their administrative licenses (including but not limited to, business license and acknowledgement of approval on value-added tax), the Company is satisfied with the above assessment on the counterparties prior to entering into the transfer agreement.

The Group had designated senior management team to conduct on-site inspections and arranged the senior management team to complete interviews with equipment operating technicians working in the counterparties and to conduct assessments on the conditions of the operation equipment. Based on the assessment results, the Company is of the opinion that all equipment can be effectively used and functioned and through such on-site inspections, the Company agreed that the counterparties have the potential and capabilities to expand its production lines and equipment and businesses.

Reasons for the transactions giving rise to the balances

The Group acquired Sega Live Creation Inc. under Sega Sammy Holdings in Japan in the first quarter of 2017, and changed its name to CA Sega Joypolis Limited after the acquisition. According to the Group's post-acquisition business strategy, it intends to rapidly and vigorously develop CA Sega Joypolis Limited. Its offline entertainment brands include the "CA Sega Joypolis" large-scale indoor park brand and the "CA Sega Wonder Forest" kid amusement park brand.

After the completion of the acquisition, the Group plans to evolve towards a light asset and licensing operation model. Since the Group's derivatives trading business in the PRC is mainly based on order taking and quality control, while production and processing are gradually transformed into entrusting third parties to complete, the Group decided to transfer some of its operational equipment to other manufacturers in the PRC that also have such production needs. In turn, the Company will then focus on taking orders from customers and the development of offline entertainment brands including the "CA Sega Joypolis" large-scale indoor park brand and become a corporation with light assets operation.

Through discussions with the counterparties, the Company learnt that the counterparties are interested in expanding its production lines and business scale. In addition, the Group was of the view that the collection of trade and other receivables was not related to the development of the Group's business and may potentially become bad debt which could incur further resources and costs to the Group. Since Hua Teng Chang had the confidence about the collection of trade and other receivables given its business network in plastics toys in the PRC and overseas to be a potential counterparty to acquire the Group's production equipment. As a result, the Company decided to realize its assets to dispose its production line and trade and other receivables and related business to the counterparties and expected to allocate the proceeds to, including but not limited to, its anticipated development and expansion of theme parks business.

Reasons and events leading to the default of payment and when the Company was aware

From the end of 2020 to the full year of 2021, the spreading of COVID-19 in the PRC became more serious, various blocking measures were implemented between various provinces and cities, including but not limited to, shutting down the city. Since the overseas customers of the counterparties were unable to obtain visas to visit the PRC, the orders placed by customers to the counterparties have been reduced more than the expectation of the counterparties which affected the expected operating income and cash flow of the counterparties and resulted in failure to settle the equipment payment to the Group as scheduled.

The Company has been monitoring the market and the counterparties' operating conditions in the PRC since the entering of the respective transfer agreements. At the material time, both the management of the Group and the counterparties were of a positive view that the negative impacts related to the COVID-19 would be temporary. Regardless, during such period (i.e. during 2021), based on the above explained reasons and market conditions, the Company continued its negotiations with the counterparties on whether it is necessary and reasonable to extend the due dates on the payment of the consideration under the transfer agreement or whether there are other settlement solutions.

Assessment on expected credit loss of the disposal of property, plant and equipment

Set out below are summary of the assessment on expected credit loss of the disposal of property, plant and equipment:

Counterparties	Gross carrying amount as at 31 March 2022 (HK\$' million) (approx.)	Expected loss rate adopted for the year ended 31 March 2022 (note)				Amount of provision for ECL recognised for the year ended 31 March 2022 (HK\$' million) (approx.)	Net carrying amount as at 31 March 2022 (HK\$' million) (approx.)
		P1	P2-1	P2-2	P3		
Hua Teng Chang	83.86	-	-	-	100.00%	83.86	-
Wealth Gather Enterprise Limited	51.85	-	-	-	100.00%	51.85	-

Counterparties	Gross carrying amount as at 31 March 2023 (HK\$' million) (approx.)	Expected loss rate adopted for the year ended 31 March 2023 (note)				Amount of provision for ECL recognised for the year ended 31 March 2023 (HK\$' million) (approx.)	Net carrying amount as at 31 March 2023 (HK\$' million) (approx.)
		P1 (approx.)	P2-1 (approx.)	P2-2 (approx.)	P3 (approx.)		
Hua Teng Chang	77.72	-	-	-	100.00%	77.72	-
Wealth Gather Enterprise Limited	44.13	-	-	-	100.00%	44.13	-

Notes:

Each outstanding debtor of other receivables will be assigned to different stages from P1 to P3 by the Valuer.

P1 represents those who have no overdue or overdue 1 to 90 days and 12-months ECL is adopted. And the aforementioned industry probability of default and recovery rate were then adopted for the exposure of each debtor under P1.

P2-1 represents those who have overdue 91 to 180 days, for which will be assigned with a B- credit rating and its corresponding probability of default by referencing to the S&P Study.

P2-2 represents those who have overdue 181 to 365 days, for which will be assigned with a C credit rating and its corresponding probability of default by referencing to the S&P study. Lifetime expected credit losses are adopted under stage P2-1 and P2-2. And the Valuer referenced to the Moody's Study again for the recovery rate for P2-1 and P2-2.

P3 represents those who have overdue more than 365 days, for which will be considered default and assigned with a D credit rating as well as a 100% probability of default with no recovery rate, and lifetime expected credit losses are adopted.

Actions taken/to be taken and status of the projects

Since the end of 2020, the spread of the COVID-19 in the PRC, the business operations of the counterparties have been materially affected by ways of, including but not limited to, orders from customers were significantly reduced operating income and cash flow were correspondingly decreased, which resulted in failing to pay the transaction consideration to the Company.

As stated in the above, the Company has been monitoring the market and operation conditions of the counterparties over time. The Company sent its senior management personnel to office of the counterparties in the PRC to negotiate and explore feasible solutions. Despite of the difficult situations, the Company has been requesting continuously for the counterparties to deal with the Company's prepayment as soon as possible or otherwise, provide feasible remedial measures. The Company has also sent a letter from its lawyer and issue a company letter every six months to the counterparties to collect the payment for the transaction consideration.

Thereafter, having monitored the market industry norm and trends and impacts affected by the outspreading of COVID-19, engaged further negotiations with the management of the counterparties in respect of a grace period for the payment. However, the operational situation for the counterparties and the market did not improve which then resulted in the counterparties failing to pay the consideration on time.

The Group has established the Receivable Collection Committee in December 2022. The Receivable Collection Committee, led by two independent non-executive Directors, and a team of professional senior domestic lawyers serves as legal advisors to ensure independence, supervision and professionalism and serve to collect outstanding receivables of the Group.

Hua Teng Chang possesses both the legal titles and the physical ownership of the production equipment. Hua Teng Chang, through the subject production equipment, has been producing and supplying some of the Group's derivative products. Upon negotiations with the Company, Hua Teng Chang has been reaching a new payment schedule and entered a deed with the Group to pledge all equipment that was originally obtained from the Group in favor of the Group. These equipment have to move to the designated location for the production for the Group's derivative products. Additional production assets of Hua Teng Chang located at the production district in Cambodia of the Group and has also been pledged in favor of the Group in order to cope with the foreseeable increasing demands for the Group's trading and processing of animation derivatives.

Meanwhile, upon negotiations with the Company, Wealth Gather has reached consensus with the Group to pledge all equipment that was originally obtained from the Group in favor of the Group with a new payment schedule and to increase its effort to recruit and refer more customers to the Group's Joypolis park in Shanghai. These customers, which include travel agencies, student groups and corporate groups in the Southern China region, have the potential to bring even more new customers and increase ticket sales of the Group's theme parks and/or to introduces to potential investors that may be interested in operating and establishing new theme parks with the Group in other regions of the PRC and expand revenue stream of the Group after a pleasant experience in the park.

In light of the above, the Group is considering to extend their respective repayment dates with the goal to collect the full amount of the settlement of the relevant disposals over time. As at the date of this announcement, the Board will continue to monitor the operations of the parties and to negotiate and accomplish a series of alternative repayment options, such as (a) settling partial repayment immediately; (b) adding more collateral/guarantee in favor of the Group; and (c) revising the repayment schedule or other matters favorable to the Company.

(IV) Impairment losses on investment and cooperation in game development

Summary of the agreement/transactions giving rise to the other receivables

Guangzhou Lechuang Electronic Technology Co., Ltd.* (廣州市樂創電子科技有限公司) (“Guangzhou Lechuang”), Lechuang Holdings (Hong Kong) Limited* (樂創控股(香港)有限公司) (“HK Lechuang”) and Guangzhou Chuan’an Electrical and Mechanical Co., Ltd.* (廣州市傳安電氣機械有限責任公司) (“Guangzhou Chuan’an”) (collectively, “Lechuang Group”)

Counterparty	The Lechuang Group
Ultimate beneficial owner(s)	Feng Jinxuan* (馮錦旋), Liang Yingtao* (梁應滔), Zang Dedui* (臧德對), Liang Yinghong* (梁應鴻) and Huang Guowen* (黃國文) are PRC citizens and Independent Third Parties
Principal business	The Lechuang Group and its beneficial owners are principally engaged in games production and development for over 10 years.
Date and Agreement	(1) (a) Investment and cooperation agreement entered into by the Company and Guangzhou Chuan’an/Guangzhou Lechuang dated 20 August 2015. (b) VR content development cooperation agreement entered into by the Company and Guangzhou Chuan’an/Guangzhou Lechuang dated 29 August 2015. (c) VR offline shop chains cooperation agreement entered into by the Company and Guangzhou Chuan’an/Guangzhou Lechuang dated 29 August 2015. (collectively, the “ Investment Agreements ”)

- (d) The supplemental agreement to the investment and cooperation agreement entered into by the Company and Guangzhou Chuan'an/Guangzhou Lechuang (a refund agreement) dated 20 March 2020 to refund the investment amount of RMB4.5 million within one year to the Company (i.e. 20 March 2021) (the “**Investment Supplemental Agreement**”).
- (2) (a) VR game design and production agreement entered into by the Company and HK Lechuang dated 20 September 2015 (“**Production Agreement**”).
- (b) The supplemental agreement to the VR game design and production agreement entered into by the Company and Guangzhou Lechuang (a refund agreement) dated 20 March 2020 to refund the prepayment in the amount of HK\$20.40 million within one year to the Company (i.e. 20 March 2021) (the “**Production Supplemental Agreement**”).

(collectively, the “**Production Agreements**”)

Original amount

Total amount of the investment under the Investment Agreements is RMB4.5 million (equivalent to approximately HK\$5.1 million).

Total original amount of the consideration under the Production Agreement is HK\$20 million.

Pursuant to the Production Supplemental Agreement, the Company has paid HK\$20.40 million (including the further investment paid by the Company in the amount of HK\$12.85 million in 2019 and the remaining prepayment in the amount of HK\$7.55 million) to Lechuang for the design and production VR games and 9D VR Interactive attractions under the Production Agreements.

Due date

On or before 20 March 2021

Gross outstanding balances as at 1 April 2021	(1) RMB4,500,000 (equivalent to approximately HK\$5,090,670)
	(2) Approximately HK\$20,022,500
ECL/write-off recognised in P&L for 31 March 2021	(1) Approximately HK\$51,125
	(2) Approximately HK\$201,082
ECL/write-off recognised in P&L for 31 March 2022	(1) Approximately HK\$5,039,545
	(2) Approximately HK\$19,821,418
ECL/write-off recognised in P&L for 31 March 2023	(1) Nil
	(2) Nil
Impairment as at 31 March 2023	(1) Approximately HK\$5,090,670 (equivalent to RMB4,500,000)
	(2) Approximately HK\$20,022,500
Nature of the transaction	(1) Investment and cooperation to develop VR Games
	(2) Design and produce VR games for the Group
Respective payment terms	Payment terms:

The total investment consideration paid by the Company to Guangzhou Lechuang for acquiring 3% of the equity of Guangzhou Lechuang was in the amount of RMB4,500,000 under the Investment Agreements.

The total consideration paid by the Company to HK Lechuang for design and production VR Games was in the amount of HK\$20,000,000 under the Production Agreement.

The Company's assessment on the credit risks of the counterparties

Guangzhou Lechuang is a comprehensive high-tech group mainly engaged in VR games, online and offline content research and development, and market deployment. Its main businesses include software development, 5D/7D/8D cinemas, 9D virtual online experience halls, car-mounted VR cinemas, and global camera sales, among others. It has won many industry awards in mainland China and holds numerous related patents and software copyrights.

The Group's due diligence on the Lechuang Group steps involves the understanding and evaluating of its corporate background, business scope and corporate development history. The Company has reviewed its statutory documents before entering the Investment Agreements and Production Agreement.

The Group also conducted investigations and verifications in respect of the Lechuang Group's compliance with local laws and regulations, administrative agencies, and tax authorities. The legality of its operating projects and the integrity of its performance, as well as litigation and arbitration situations, were also investigated and evaluated on-site at its operating locations.

Having conducted the above assessment, the Company is of the opinion that the Lechuang Group meets the business qualifications and the Lechuang Group's industry status, market share and corporate scale are in line with the Group's requirements and transaction expectations.

It was found by the Group that Guangzhou Lechuang obtained three utility model patents for 9D games and appearance patents for 9D game machines before August 2015. In addition, they registered three trademark registrations including 9D VR from 2013 to July 2015. After meetings and listening to the report of the due diligence team, the management of the Company was satisfied with the evaluation of the Lechuang Group before entering the Investment Agreements.

The Group also sent experienced senior management personnel to conduct inspections at the office of the Guangzhou Lechuang, and visit industry parks in the Tianhe district and Panyu district of Guangzhou. They also held meetings with the Company's leaders, management team, sales team, and VR game research and development and technical personnel to assess the overall situation of the Lechuang Group.

The verification feedback on the various situations mentioned above has met the Group's requirements for the credit risk assessment of the Lechuang Group.

Reasons for the transactions giving rise to the other receivables

Due to the opening of the direct-operated Wonder Forest parent-child park and P+Closet photo booth park of the Company in Shanghai in 2015, as well as VR experience halls, the Group urgently needs to find a leading enterprise in the industry with research and development and innovation capabilities that have been market-validated for the development, production, and market deployment of VR games as a partner. The Company intends to commission them to develop and produce VR games to expand and consolidate the Group's VR game demand, increase market share, and enhance brand image.

In the Guangzhou Amusement Equipment Industry Exhibition in 2014, the Company learned that Guangzhou Lechuang had a high profile in 9D VR games. After meetings and due diligence, the Group entered into the Investment Agreement with Guangzhou Lechuang in August 2015 in relation to acquiring 3% of the equity of Guangzhou Lechuang. The Company agreed to expand the Group's IP to VR games, and the Company also obtained the exclusive agency and operation rights of Guangzhou Lechuang's VR game equipment in the Shenzhen, Hong Kong, and Japan regions. Therefore, the Group entered into the Investment Agreements and Production Agreement with Lechuang to commission VR game production and chain physical store cooperation with the Lechuang Group.

Reasons and events leading to the default of payment and when the Company was aware

Since 2020, the spreading of COVID-19 in the PRC became more serious, various blocking measures were implemented between various provinces and cities, including but not limited to, shutting down the city. The business in designing and producing VR games had all been significantly affected which led to the temporary suspension of offline VR games businesses of the members of the Lechuang Group's and their customers. As the operational situation for Lechuang Group and the market did not improve which then resulted the Lechuang Group in delaying the progress of the production of VR games and failing to pay the repayment on time.

The Company has been monitoring the market and the Lechuang Group's operating conditions in the PRC since the entering of the Investment Supplemental Agreement and Production Supplemental Agreement. Moreover, the Company continued its negotiations with the Lechuang Group on whether it is necessary and reasonable to extend the due dates on the payment of the consideration under the Investment Supplemental Agreement and Production Supplemental Agreement or whether there are other settlement solutions.

Assessment on expected credit loss on investment and cooperation in game development

Set out below are summary of the assessment on expected credit loss on investment and cooperation in game development:

Counterparties	Gross carrying amount as at 31 March 2022 (HK\$' million) (approx.)	Expected loss rate adopted for the year ended 31 March 2022 (note)				Amount of provision for ECL recognised for the year ended 31 March 2022 (HK\$' million) (approx.)	Net carrying amount as at 31 March 2022 (HK\$' million) (approx.)
		P1	P2-1	P2-2	P3		
HK Lechuang	20.02	-	-	-	100.00%	20.02	-
Guangzhou Lechuang	5.09	-	-	-	100.00%	5.09	-

Counterparties	Gross carrying amount as at 31 March 2023 (HK\$' million) (approx.)	Expected loss rate adopted for the year ended 31 March 2023 (note)				Amount of provision for ECL recognised for the year ended 31 March 2023 (HK\$' million) (approx.)	Net carrying amount as at 31 March 2023 (HK\$' million) (approx.)
		P1	P2-1	P2-2	P3		
HK Lechuang	20.02	-	-	-	100.00%	20.02	-
Guangzhou Lechuang	5.09	-	-	-	100.00%	5.09	-

Notes:

Each outstanding debtor of other receivables will be assigned to different stages from P1 to P3 by the Valuer.

P1 represents those who have no overdue or overdue 1 to 90 days and 12-months ECL is adopted. And the aforementioned industry probability of default and recovery rate were then adopted for the exposure of each debtor under P1.

P2-1 represents those who have overdue 91 to 180 days, for which will be assigned with a B- credit rating and its corresponding probability of default by referencing to the S&P Study.

P2-2 represents those who have overdue 181 to 365 days, for which will be assigned with a C credit rating and its corresponding probability of default by referencing to the S&P study. Lifetime expected credit losses are adopted under stage P2-1 and P2-2. And the Valuer referenced to the Moody's Study again for the recovery rate for P2-1 and P2-2.

P3 represents those who have overdue more than 365 days, for which will be considered default and assigned with a D credit rating as well as a 100% probability of default with no recovery rate, and lifetime expected credit losses are adopted.

Actions taken/to be taken and status of the transactions

As stated in the above, the Company has been monitoring the market and operation conditions of the Lechuang Group over time.

After signing the Investment Agreements but less than a year, there was a change in the shareholding structure of Guangzhou Lechuang. Liang Yingtao, the original major shareholder of Guangzhou Lechuang and the signatory representative of the agreements, withdrew from the shareholder structure and was replaced by other shareholders. This change had an impact on the Group's investment procedures. The Group negotiated with the new shareholders and the new board of directors of Guangzhou Lechuang and decided to temporary suspend the equity investment process. Moreover, the Company requested the Lechuang Group that they must continue to provide VR game agency rights, chain store cooperation, and regional exclusive agency rights to the Company to ensure that the Group's other rights are not affected except for the temporary suspension of equity investment. Meanwhile, the development of VR games and 9D experiential games for the Group under the Production Agreement will continue to expand the business of the Group.

In early 2020, after Guangzhou Lechuang completed nearly half of the 9D VR game production and VR virtual park software development, the offline VR market underwent significant changes due to the COVID-19. Guangzhou Lechuang's business model and 9D VR market expansion were greatly affected, resulting in a slowdown in the progress of game production and park software development.

Under the Group's constant supervision and urging, after several negotiations, both parties signed the Investment Supplementary Agreement and the Production Supplemental Agreement dated 20 March 2020 in relation to the Lechuang Group needs to return RMB4.5 million and HK\$20.4 million to the Group on or before 20 March 2021.

As at the date of this announcement, the Company has requested that Guangzhou Lechuang to complete the remaining work on 9D VR game and VR virtual park software development as soon as possible to meet the Group's market business needs.

Since September 2020, the Group has been issuing payment reminder notices to Guangzhou Lechuang every six months and monitoring its business and payment status. This monitoring will continue until March 2023. After reaching a consensus with Guangzhou Lechuang and while the outstanding payments remain unpaid, Guangzhou Lechuang needs continue to provide the Group with additional VR game resources and software, as well as lay the foundation for the expansion of chain physical stores in the future, to assist the Group in quickly resuming business expansion and occupying the market after the COVID-19.

From March 2023, the Directors observed clear signs of recovery and growth in the VR game offline experience market and the overall industry situation after the COVID-19. Moreover, Guangzhou Lechuang's shareholding structure had also been adjusted and improved, enabling it to fulfill its responsibilities in cooperating with the Group's equity investment. After conducting further due diligence and evaluation, the Group also saw that the value of Guangzhou Lechuang's shares had exceeded the value at the time of signing the Investment agreements. As the market has recovered, the Group needs to quickly expand innovative and leading 9D VR games. Therefore, the Company has requested that Guangzhou Lechuang to complete the remaining work on 9D VR game and VR virtual park software development as soon as possible to meet the Group's market business needs. This is also in the interests of the Group and the Shareholders as a whole.

Moreover, the Group has established the Receivable Collection Committee in December 2022. The Receivable Collection Committee, led by two independent non-executive Directors, and a team of professional senior domestic lawyers serves as legal advisors to ensure independence, supervision and professionalism and serve to collect outstanding receivables of the Group.

Furthermore, the Company also hired two law firms on January 2022, as accounts receivable collection consultants, commissioned by the Board of Directors and the Receivable Collection Committee to provide related legal services for accounts receivable collection. The debt collection consultant is currently conducting analysis and planning work. After the Group's debt restructuring plan is approved, the debt collection efforts will be intensified according to the current plan. The Company will also continue to closely monitor the operations of the Lechuang Group and take continuous collection actions through external debt collection consultants hired by the company.

(B) IMPAIRMENT LOSS ON TRADE RECEIVABLES

(I) Impairment incurred in respect of the provision of pre-start package services

Summary of the agreement/transactions giving rise to the trade receivables

(i) Big Vantage Limited (“BVL”)

BVL, engaged in commercial and cultural entertainment real estate development for more than 8 years, comprise of a national-level cultural industry network and is responsible for developing cultural projects in Beijing. It was intended to develop a site located in the south of Beijing with an area of 59,300 square meters. The Group’s responsibilities were (i) to provide pre-start packaging services that include the preparation of a feasibility report for the subject project that, among others, cooperating in obtaining relevant governmental approval documents and construction certificates, assessing project investment scale, planning and development, profit forecast, funding arrangements and jobs and roles allocation; (ii) to authorize the Group’s brand to be used; and (iii) provide conceptual design and business plan services. Through this project, the Group was expected to expand its business network and operations to generate additional income in view of the Group’s short and long term development.

Counterparty	BVL
Ultimate beneficial owner(s)	Huang Rong* (黄蓉), a PRC citizen and an Independent Third Party
Principal business	BVL and its beneficial owner has been engaged in commercial real estate and cultural entertainment real estate development for more than 8 years. BVL has a national-level cultural industry network and is responsible for developing cultural projects in Beijing.
Date and Agreement	A. Service agreement dated 13 November 2020 B. Brand authorization agreement dated 13 November 2020 C. Conceptual planning and design agreement dated 13 November 2020 (Collectively, the “ BVL Service Agreements ”)

Original amount	<p>A. Total amount of the service consideration under the service agreement is HK\$40,000,000.</p> <p>B. Total amount of the brand authorization consideration under the brand authorization agreement is HK\$56,000,000.</p> <p>C. Total amount of the consideration under the conceptual planning and design agreement is HK\$29,000,000.</p> <p>Total amount of the considerations is HK\$125,000,000 payable to the Group.</p>
Due date	<p>A. within one year to pay the service fee to the Company upon the completion and acknowledgement receipt of the project pre-start (“PPS”) feasibility report which is on or before 23 March 2022</p> <p>B. within one year upon the acknowledgement of the receipt of the brands and intangible assets information and materials (i.e. 19 March 2022)</p> <p>C. within one year upon the completion and acknowledgement receipt of the design and approval by BVL which is on or before 18 March 2022</p>
Gross outstanding balances as at 1 April 2021	Approximately HK\$116,600,000
ECL/write-off recognised in P&L for 31 March 2021	Nil
ECL/write-off recognised in P&L for 31 March 2022	Approximately HK\$45,809,000
ECL/write-off recognised in P&L for 31 March 2023	Approximately HK\$70,791,000

Impairment as at 31 March 2023	Approximately HK\$116,600,000
Nature of the transaction	<ul style="list-style-type: none"> (1) providing PPS package service for the Beijing Project (2) authorize the Company's brand for BVL to use for the Beijing Project (3) providing conceptual design and business plan services for the Beijing Project
Respective payment terms	<p>Payment terms:</p> <ul style="list-style-type: none"> A. Service agreement dated 13 November 2020 concerns a package of services related to the PPS package for an amount of HK\$40,000,000. The payment must be made within one year after completing and submitting the PPS package. B. Brand authorization agreement dated 13 November 2020, involves a total brand authorization fee in the amount of HK\$56,000,000, of which BVL is required to pay HK\$8.4 million as a brand authorization fee upon signing the brand authorization agreement. The remaining of HK\$47.6 million will be paid by BVL as a project agency fee within one year after signing the brand authorization agreement or upon receiving the feedback on the project approval from the government, whichever is earlier. C. Conceptual planning and design contract dated 13 November 2020, involves a total fee of HK\$29,000,000 for conceptual scheme design and commercial planning. BVL is required to pay this amount within one year after the completion of the conceptual planning and upon BVL's acceptance of the design results.

Reasons to the transaction The Group has been focused on the development and operation of the theme parks.

In 2019, through the introduction of relevant government agencies in the Beijing cultural industry, the Company became acquainted with BVL and learned that BVL is a commercial real estate and cultural entertainment real estate development enterprise with a national-level cultural industry network and is developing cultural industry projects in Beijing. BVL was planning to develop a site located in the southern new district of the Beijing Economic-Technological Development Area, near the fifth ring road in the south of Beijing, covering an area of 59,300 square meters, originally named as Beijing Yizhuang China Creative City (“**Beijing Project**”).

Around March 2020, the Company received project information and began arranging several meetings to understand the nature and basic information of the project, obtain relevant documents including but not limited to, relevant government official approval documents and construction certificates, project scale and overall situation. The Company also discussed the project planning and development status, investment scale, profit forecast, funding arrangements, the Company’s role and profit margin in the project, project completion schedule, whether the local government supports the project, and related preferential policies and conditions.

BVL has informed the Group that, in order to comply with government planning and requirements, the Beijing Project needs to have a cultural industry format as its main development focus. Therefore, the Group has been chosen by BVL to help enrich the entertainment and commercial format content and carry out the corresponding planning and design of the Beijing Project. At the same time, the Company is also able to provide BVL for well-known brands in the cultural and entertainment industry as partners to serve as the reporting entity to the government and obtain greater support from relevant departments.

(ii) Merit Energy Limited (“MEL”)

MEL, engaged in commercial real estate development for more than 6 years, was responsible for development urban renewal projects in Zhuhai that needs to be led by large real estate developer approved by the local government with the intention to influence the economic and social activities of the province. The Group’s responsibilities were to provide pre-start packaging services that include the preparation of a feasibility report for the subject project. Through this project, the Group was expected to expand its business network, operations and generate additional income in view of the Group’s short and long term development.

Counterparty	MEL
Ultimate beneficial owner(s)	Zhao Dan* (趙丹), a PRC citizen and an Independent Third Party
Principal business	Merit Energy Limited and its beneficial owner have engaged in commercial real estate development for more than 6 years
Date and Agreement	Service agreement dated 4 September 2020 (the “MEL Service Agreement”)
Original amount	Total amount of the service consideration under the MEL Service Agreement is HK\$44,000,000.
Due date	Within one year to pay the service fee to the Company upon the completion and acknowledgement of receipt of the PPS feasibility report which is 28 September 2021

Gross outstanding balances as at 1 April 2021	Approximately HK\$39,400,000
ECL/write-off recognised in P&L for 31 March 2021	Nil
ECL/write-off recognised in P&L for 31 March 2022	Approximately HK\$15,479,000
ECL/write-off recognised in P&L for 31 March 2023	Approximately HK\$23,921,000
Impairment as at 31 March 2023	Approximately HK\$39,400,000
Nature of the transaction	providing PPS package service for the Zhuhai Project
Respective payment terms	Payment terms: MEL Service Agreement dated 4 September 2020 concerns a package of services related to the PPS package service for an amount of HK\$44,000,000. The payment must be made within one year after completing and submitting the PPS package.
Reasons to the transaction	The Group has been focused on the development and operation of the theme parks. In 2019, through real estate developers in Hengqin and Macau, the Company was introduced to MEL and learned that MEL is a comprehensive commercial real estate development enterprise that is developing the Zhuhai Project.

Around the end of 2020, the Company received project information and began arranging several meetings to understand the nature and basic information of the project. The Company also discussed the project planning and development status, investment scale, profit forecast, funding arrangements, the Company's role and profit margin in the project, project completion schedule, whether the local government supports the project, and related preferential policies and conditions.

The Company was of the view that the project is existent and valid, and has repeatedly learned about the development feasibility of the project and the government's support for the project through different channels.

The Company also learned that the Zhuhai Project is an urban renewal project that needs to be led by a large real estate developer approved by the local government and elected by local residents with a legal voting ratio. The real estate developer is seeking partners with cultural and tourism elements to influence the economic and social activities of the province. Therefore, the Company has been chosen.

As the Company wishes to develop its business in a light-asset model, after internal discussions with management of the Company, the Company has decided to inject its light-asset amusement park brand, intangible assets, and provide the Zhuhai Project with proprietary technology to reduce the investment amount and control costs.

In early 2020, both parties reached a cooperation intention for the Zhuhai Project. Therefore, the Company entered into the MEL Service Agreement with MEL dated 4 September 2020.

The Company's assessment on the credit risks of the counterparties

The Group's due diligence on the counterparties involves the understanding and evaluating of its corporate background, business scope and corporate development history. The Company has reviewed its statutory documents before entering the service agreements.

The Group also conducted investigations and verifications in respect of the counterparties' compliance with local laws and regulations, administrative agencies, and tax authorities. The legality of its operating projects and the integrity of its performance, as well as litigation and arbitration situations, were also investigated and evaluated on-site at its operating locations.

Around March 2020, the Company received project information and began arranging several meetings to understand the nature and basic information of the project, obtain relevant documents including but not limited to, relevant government official approval documents and construction certificates, project scale and overall situation. The Company also discussed the project planning and development status, investment scale, profit forecast, funding arrangements, the Company's role and profit margin in the project, project completion schedule, whether the local government supports the project, and related preferential policies and conditions.

Having reviewed all documents mentioned above, the Company was of the view that the project is existent and valid, and the Company has also obtained most of the relevant government approval documents to confirm the role of the project developer and partners in the project, and has repeatedly learned about the development feasibility of the project and the government's support for the project through different channels.

The Company also conducted site visits to the project located in Beijing and face-to-face meetings to understand the latest status of the projects.

Reasons for the transactions giving rise to the balances

The Group has been focused on the development and operation of the theme parks.

In 2019, through the introduction of relevant government agencies and real estate developers in the PRC, the Company became acquainted with the counterparties and learned that the counterparties are commercial real estate and cultural entertainment real estate development enterprises and are developing cultural industry projects in Beijing and Zhuhai.

In 2020, the Company received project information and began arranging several meetings to understand the nature and basic information of the projects, obtain relevant documents including but not limited to, relevant government official approval documents and construction certificates, project scale and overall situation. The Company also discussed the project planning and development status, investment scale, profit forecast, funding arrangements, the Company's role and profit margin in the project, project completion schedule, whether the local government supports the project, and related preferential policies and conditions.

Having reviewed all documents mentioned above, the Company was of the view that the project is existent and valid, and the Company has also obtained most of the relevant government approval documents to confirm the role of the project developer and partners in the project, and has repeatedly learned about the development feasibility of the project and the government's support for the project through different channels. Therefore, the Company entered into the service agreements with the counterparties in 2020.

Reasons and events leading to the default of payment and when the Company was aware

The COVID-19 had disrupted the construction industry in the PRC and the constructions of the two projects with the counterparties were in a state of suspension. Moreover, following the implementation of the "Three Red Lines Policy" by the PRC government, real estate companies in the PRC have generally been significantly affected. Owners of the real estate companies were suffering from cash flow problems and stagnant property constructions. The counterparties have expressed that due to financial difficulties, their project has been suspended and they are unable to fulfill their payment obligations.

The Group has been negotiating with these counterparties but were given the responses that the counterparties are expecting to resume the construction projects when they are able to obtain the necessary approvals from the local governmental department. The Group is intended to maintain the business opportunities with these two counterparties and is expected to continue to participate in the subject construction projects when they resume. The Group will continue to monitor and follow-up with the status of the respective government approvals, respective development plans and the development of the tourism and construction industries in Beijing and Zhuhai. Despite of the above, the Group has also appointed, and been seeking advises from, its legal advisers and will take appropriate legal actions for the settlement of the services if and when necessary.

Assessment on expected credit loss of the trade receivables

Set out below are summary of the assessment on expected credit loss of the trade receivables:

Counterparties	Gross carrying amount as at 31 March 2022 (HK\$' million) (approx.)	Expected loss rate adopted for the year ended 31 March 2022 (note 1)				Amount of provision for ECL recognised for the year ended 31 March 2022 (HK\$' million) (approx.)	Net carrying amount as at 31 March 2022 (HK\$' million) (approx.)
		P1	P2-1	P2-2	P3		
BVL	116.6	39.29%	-	-	-	45.81	70.79
MEL	39.40	-	-	39.29%	-	15.48	23.92
深圳市華夏動漫科技 有限公司 (note 2)	58.91	1.29%	-	34.78%	100.00%	31.67	27.24
Other counterparties (over 80) for trade receivables (note 3)	53.85	2.20%	3.37%	55.80%	100.00%	5.75	48.10

Counterparties	Gross carrying amount as at 31 March 2023 (HK\$' million) (approx.)	Expected loss rate adopted for the year ended 31 March 2023 (note 1)				Amount of provision for ECL recognised for the year ended 31 March 2023 (HK\$' million) (approx.)	Net carrying amount as at 31 March 2023 (HK\$' million) (approx.)
		P1	P2-1	P2-2	P3		
BVL	116.60	-	-	-	100.00%	116.60	-
MEL	39.40	-	-	-	100.00%	39.40	-
深圳市華夏動漫科技 有限公司 (note 2)	58.91	-	-	38.82%	100.00%	53.17	5.74
Other counterparties (over 80) for trade receivables (note 3)	53.34	3.10%	3.52%	38.79%	100.00%	5.15	48.19

Note 1:

Each outstanding debtor of other receivables will be assigned to different stages from P1 to P3 by the Valuer.

P1 represents those who have no overdue or overdue 1 to 90 days and 12-months ECL is adopted. And the aforementioned industry probability of default and recovery rate were then adopted for the exposure of each debtor under P1.

P2-1 represents those who have overdue 91 to 180 days, for which will be assigned with a B- credit rating and its corresponding probability of default by referencing to the S&P Study.

P2-2 represents those who have overdue 181 to 365 days, for which will be assigned with a C credit rating and its corresponding probability of default by referencing to the S&P study. Lifetime expected credit losses are adopted under stage P2-1 and P2-2. And the Valuer referenced to the Moody's Study again for the recovery rate for P2-1 and P2-2.

P3 represents those who have overdue more than 365 days, for which will be considered default and assigned with a D credit rating as well as a 100% probability of default with no recovery rate, and lifetime expected credit losses are adopted.

Note 2:

The expected loss rates adopted for the year ended 31 March 2022 on the respective amounts were: P1 (HK\$18.74 million), P2-2 (HK\$13.39 million) and P3 (HK\$26.78 million).

The expected loss rates adopted for the year ended 31 March 2023 on the respective amounts were: P2-2 (HK\$9.37 million) and P3 (HK\$49.53 million).

Note 3:

The expected loss rates adopted for the year ended 31 March 2022 on the respective amounts were: P1 (HK\$0.97 million), P2-1 (HK\$0.28 million), P2-2 (HK\$2.42 million) and P3 (HK\$2.08 million).

The expected loss rates adopted for the year ended 31 March 2023 on the respective amounts were: P1 (HK\$36.90 million), P2-1 (HK\$11.29 million), P2-2 (HK\$2.52 million) and P3 (HK\$2.63 million).

Actions taken/to be taken and status of the projects

The Company sent its senior management personnel to office of the counterparties in the PRC to negotiate and explore feasible solutions. Moreover, considering the outbreak of COVID-19 in the PRC since 2020 and the government's tightening of control measures, the financial situation of the counterparties has been affected, the Company continuously requests that the counterparties to deal with the Company's outstanding payment as soon as possible or otherwise, provide feasible remedial measures. The Company has also maintained continuous negotiations with the counterparties, including but not limited to, video conferences, and sent the management of the Company in PRC to conduct face-to-face meetings to collect the payment for the transaction consideration.

The Group has been issuing payment demand letter to the counterparties, stating that if the payment is not settled, the Company may reserve the right to take legal action. Moreover, the Group has established the Receivable Collection Committee in December 2022. The Receivable Collection Committee, led by two independent non-executive Directors, and a team of professional senior domestic lawyers serves as legal advisors to ensure independence, supervision and professionalism and serve to collect outstanding receivables of the Group. In early 2023, under the guidance of the Receivable Collection Committee, the Company also issued a legal letter to BVL, stating that the company is prepared to take further legal action and sue the counterparties to recover the receivables.

The Beijing Project and the Zhuhai Project are currently on hold, pending on the obtaining of necessary approvals from the local governmental department. However, after a series of business negotiations, the Company was informed by the counterparties that they still wish to resume the project and fulfill their payment obligations under the service agreements.

The Company has been monitoring the market and the counterparties' operating conditions in the PRC and will continue to negotiate with these counterparties to achieve effective settlement solutions beneficial to the Group.

Shareholders and potential investors of the Company should exercise caution when they deal or contemplate to deal in the Shares.

By order of the Board
CA Cultural Technology Group Limited
Chong Heung Chung Jason
Chairman and Executive Director

Hong Kong, 21 February 2024

As of the date of this announcement, the executive Directors are Mr. Chong Heung Chung Jason and Ms. Liu Moxiang, and the independent non-executive Directors are Mr. Ni Zhenliang, Mr. Wang Guozhen and Mr. Hung Muk Ming.

* *For identification purpose only*