



華夏文化科技集團
CA CULTURAL TECHNOLOGY GROUP

Interim Report 2020/21



華夏文化科技集團有限公司
CA Cultural Technology Group Limited

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

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CORPORATE INFORMATION

Registered Office

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

Principal Place of Business in Hong Kong

Room 2905, 29th Floor
China Resources Building
No. 26 Harbour Road
Wan Chai
Hong Kong

Principal Place of Business in China

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

Company's Website

www.animatechina.com

Executive Directors

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

Independent Non-executive Directors

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

Audit Committee of our Board

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

Remuneration Committee of our Board

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

Nomination Committee of our Board

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

Investment Committee of our Board

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

Authorised Representatives

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

Company Secretary

Mr. LUK Sik Tat (陸適達) *FCCA, FCPA*

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited

Shops 1712–1716
17th Floor Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited

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

Auditor

KTC Partners CPA Limited

Room 617, Seapower Tower
Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui East
Kowloon, Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

Tsim Sha Tsui CVC Branch
82–84 Nathan Road
Kowloon, Hong Kong

Hang Seng Bank Limited

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

Bank of China (Hong Kong) Limited

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended 30 September	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
	Notes		
Revenue	4	172,374	236,127
Cost of sales and services		(134,205)	(185,034)
Gross profit		38,169	51,093
Other income		7,073	1,500
Other gains and losses	5	42,615	71,020
Selling and distribution expenses		(7,269)	(20,948)
Administrative expenses		(38,593)	(50,418)
Research and development expenses		(5,834)	(7,326)
Share of profit of associates		29,006	–
Finance costs		(45,012)	(32,692)
Profit before taxation		20,155	12,229
Taxation	6	(1,707)	10,102
Profit for the period	7	18,448	22,331
Other comprehensive income/(expense):			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurement of defined benefit plans		–	418
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign subsidiaries		7,653	(281)
Fair value loss on financial assets at fair value through other comprehensive income		9,921	(17,531)
Other comprehensive income/(expense) for the period		17,574	(17,394)
Total comprehensive income for the period		36,022	4,937
Profit for the period attributable to:			
Owners of the Company		25,525	24,849
Non-controlling interests		(7,077)	(2,518)
		18,448	22,331
Total comprehensive income attributable to:			
Owners of the Company		42,596	7,342
Non-controlling interests		(6,574)	(2,405)
		36,022	4,937
Earnings per share	9		
– Basic (HK\$)		0.03	0.03
– Diluted (HK\$)		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	10	366,672	354,910
Right-of-use assets		146,820	164,947
Goodwill		2,472	2,472
Intangible assets	11	293,603	253,517
Interest in associates	12	177,841	5,110
Interest in a joint venture		100,406	100,120
Financial assets at fair value through profit or loss		118,487	84,120
Financial assets at fair value through other comprehensive income	13	7,594	81,505
Deposits for acquisition of property, plant and equipment		377,296	379,756
Rental deposits		17,802	18,381
		1,608,993	1,444,838
Current assets			
Inventories		9,375	798
Trade receivables	14	116,304	82,399
Amount due from a joint venture		69	54
Other receivables, deposits and prepayments	15	342,296	335,897
Amount due from a director	16	1,970	–
Financial assets at fair value through profit or loss	17	773	742
Pledged bank deposit		3,433	15,069
Bank balances and cash		64,705	52,800
		538,925	487,759
Current liabilities			
Trade and notes payables	18	6,661	8,213
Other payables and accruals		23,440	56,346
Amount due to a director		–	897
Contract liabilities		24,928	24,979
Lease liabilities		37,395	34,468
Tax payable		107,829	103,106
Bonds	20	210,313	124,817
Guaranteed note	19	100,000	99,267
Secured bank borrowings and other borrowings	21	10,284	23,385
		520,850	475,478
Net current assets		18,075	12,281
Total assets less current liabilities		1,627,068	1,457,119

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Non-current liabilities			
Bonds		215,030	245,670
Secured bank borrowings and other borrowings	21	58,633	27,938
Long term other payables		91,486	61,158
Lease liabilities		118,123	136,713
Deferred tax liabilities		1,668	2,340
Retirement benefit obligations		64	62
Provision for reinstatement costs for rented premises		33,360	32,389
Obligation arising from a put option to non-controlling interests		7,507	7,507
Put option derivatives		440	440
		526,311	514,217
Net assets			
		1,100,757	942,902
Capital and reserves			
Share capital	22	96,406	92,006
Reserves		1,000,671	840,642
Equity attributable to owners of the Company		1,097,077	932,648
Non-controlling interests		3,680	10,254
Total equity		1,100,757	942,902

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Investments revaluation reserve HK\$'000	Share-based compensation reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2019	92,006	578,726	1,083	(53,984)	12,195	(88,878)	341,096	882,244	6,391	888,635
Profit for the period	-	-	-	-	-	-	24,849	24,849	(2,518)	22,331
Other comprehensive expense for the period	-	-	(340)	-	-	-	-	(340)	59	(281)
Fair value loss on financial assets at fair value through other comprehensive income	-	-	-	(17,531)	-	-	-	(17,531)	-	(17,531)
Remeasurement on defined benefit pension plans	-	-	-	-	-	364	-	364	54	418
Total comprehensive income for the period	-	-	(340)	(17,531)	-	364	24,849	7,342	(2,405)	4,937
Dividend recognised as distribution (note 9)	-	-	-	-	-	-	(21,161)	(21,161)	-	(21,161)
Recognition of equity-settled share-based payments	-	-	-	-	1,390	-	-	1,390	-	1,390
At 30 September 2019 (unaudited)	92,006	578,726	743	(71,515)	13,585	(88,514)	344,784	869,815	3,986	873,801
At 1 April 2020	92,006	578,726	(5,331)	(80,378)	12,836	(90,368)	425,157	932,648	10,254	942,902
Profit for the period	-	-	-	-	-	-	25,525	25,525	(7,077)	18,448
Other comprehensive income for the period	-	-	7,150	-	-	-	-	7,150	503	7,653
Fair value loss on financial assets at fair value through other comprehensive income	-	-	-	9,921	-	-	-	9,921	-	9,921
Total comprehensive income for the period	-	-	7,150	9,921	-	-	25,525	42,596	(6,574)	36,022
Issue of new shares	4,400	117,433	-	-	-	-	-	121,833	-	121,833
Transfers to retained profits	-	-	-	(3,055)	-	-	3,055	-	-	-
At 30 September 2020 (unaudited)	96,406	696,159	1,819	(73,512)	12,836	(90,368)	453,737	1,097,077	3,680	1,100,757

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	16,077	(14,260)
INVESTING ACTIVITIES		
Interest received	58	593
Advance to a director	(2,088)	–
Proceeds on disposal of property, plant and equipment	–	89
Purchase of property, plant and equipment	–	(7,842)
Acquisition of a subsidiary, net of cash and cash equivalents acquired	8,206	–
Investment in associates	(144,011)	–
Deposits paid for and purchase of property, plant and equipment	(1,246)	–
Proceeds of redemption of financial assets of fair value through profit or loss	10,168	–
Proceeds of redemption of financial assets at fair value through other comprehensive income	83,832	–
Withdrawal/(Placement) of pledged bank deposit	11,718	(2,428)
NET CASH USED IN INVESTING ACTIVITIES	(33,363)	(9,588)
FINANCING ACTIVITIES		
Repayment to a director	(897)	–
New bank loans raised	23,857	29,078
Proceeds from bonds issuance, net of issue expenses	53,400	66,600
Repayment of lease liabilities	(17,862)	(15,786)
Interest paid	(29,048)	(32,095)
Repayment of bank loans	(6,512)	(8,898)
NET CASH FROM FINANCING ACTIVITIES	22,938	38,899
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,652	15,051
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	52,800	50,387
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	6,253	(72)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, REPRESENTING BANK BALANCES AND CASH	64,705	65,366

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

1. General

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

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

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

2. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

3. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as appropriate.

Save as described below, the accounting policies applied to prepare this unaudited condensed consolidated interim financial information for the six months ended 30 September 2020 are consistent with the Group’s annual financial statements for the year ended 31 March 2020, which has been prepared in accordance Hong Kong Financial Reporting Standards (“**HKFRSs**”):

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group’s condensed consolidated financial statements:

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

The application of the new and revised standards in the current interim period has had no material impact on the amounts reported in these condensed consolidated financial statements and/or disclosures set in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

4. Revenue and Segment Information

Revenue represents revenue arising from sales of animation derivative products, establishment and operation of indoor theme parks and multimedia animation entertainment in Hong Kong, Japan and the PRC during the six months ended 30 September 2020.

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

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

Segment revenue and results

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

For the six months ended 30 September 2020 (unaudited)

	Sales of animation derivative products HK\$'000	Establishment and operation of indoor theme parks HK\$'000	Multimedia animation entertainment HK\$'000	Total HK\$'000
Segment revenue	59,847	98,489	14,038	172,374
Segment profit/(loss) (Note)	13,594	(23,446)	22,979	13,127
Unallocated income				6,790
Unallocated expenses				(10,177)
Other gains and losses				45,194
Share of profit of associates				286
Finance costs				(35,065)
Profit before taxation				20,155

Note: The segment profit for multimedia animation entertainment segment included share of profit of an associate.

For the six months ended 30 September 2019 (unaudited)

	Sales of animation derivative products HK\$'000	Establishment and operation of indoor theme parks HK\$'000	Multimedia animation entertainment HK\$'000	Total HK\$'000
Segment revenue	87,189	135,200	13,738	236,127
Segment profit (Note)	23,196	16,019	61,634	100,849
Unallocated income				1,148
Unallocated expenses				(57,603)
Other gains and losses				527
Finance costs				(32,692)
Profit before taxation				12,229

Note: The segment profit for multimedia animation entertainment segment included gain on disposal of intangible assets (Note 5).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

4. Revenue and Segment Information (Continued)

Segment revenue and results (Continued)

Segment profit (loss) represents the profit (loss) earned (incurred) by each segment without allocation of certain administrative expenses, share-based payment expenses, share of result of an associate, finance costs, fair value gain on obligation arising from a put option to non-controlling interests, income tax expenses and unallocated income and expenses. This is the measure reported to CODM for the purpose of resource allocation and performance assessment.

All the segment revenue reported above is from external customers.

Timing of revenue recognition:

	Six months ended 30 September 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
At a point of time	159,866	222,739
Over time	12,508	13,388
	172,374	236,127

Segment assets and liabilities

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

Segment assets

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Sales of animation derivative products	221,516	166,474
Establishment and operation of indoor theme parks	903,744	905,339
Multimedia animation entertainment	736,378	585,609
Total segment assets	1,861,638	1,657,422
Property, plant and equipment	35,250	12,854
Right-of-use assets	3,242	4,127
Other receivables, deposits and prepayments	43,244	16,376
Goodwill	2,472	2,472
Interest in an associate	5,110	5,110
Financial assets at fair value through profit or loss	119,260	84,862
Financial assets at fair value through other comprehensive income	7,594	81,505
Amount due from a director	1,970	–
Pledged bank deposit	3,433	15,069
Bank balances and cash	64,705	52,800
Consolidated assets	2,147,918	1,932,597

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

4. Revenue and Segment Information (Continued)

Segment assets and liabilities (Continued)

Segment liabilities

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Sales of animation derivative products	9,281	11,189
Establishment and operation of indoor theme parks	286,865	284,851
Multimedia animation entertainment	–	–
Total segment liabilities	296,146	296,040
Other payables and accruals	17,195	49,963
Contract liabilities	–	183
Amount due to a director	–	897
Secured bank borrowings and other borrowings	68,917	51,323
Tax payable	107,830	103,106
Lease liabilities	4,794	7,028
Deferred tax liabilities	1,668	2,340
Bonds	425,343	370,487
Guaranteed note	100,000	99,267
Obligation arising from a put option to non-controlling interest	7,507	7,507
Put option derivatives	440	440
Long-term payable	17,323	1,114
Consolidated liabilities	1,047,163	989,695

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

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

These are the measures reported to the CODM for the purpose of resources allocation and assessment of segment performance.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

5. Other Gains and Losses

	Six months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Net exchange gain	340	349
Gain from changes in fair value of financial assets mandatorily measured at fair value through profit or loss	50,272	114
Loss on disposal of fixed assets	(2,507)	–
Loss on disposal of financial assets at fair value through profit or loss	(5,724)	–
Other gain	234	64
Gain on disposal of intangible assets (Note)	–	70,493
	42,615	71,020

Note: The Group disposed some of intangible assets – film rights and applications, with a carrying amount of HK\$3,307,500 at a consideration of HK\$73,800,000.

6. Taxation

	Six months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
The tax charge comprises:		
Hong Kong Profits Tax	2,114	39
Overprovision in previous year	–	(10,860)
The PRC Enterprise Income Tax (“EIT”)	–	–
The Japan Corporate Tax	(407)	719
	1,707	(10,102)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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

6. Taxation (Continued)

Corporate tax in Japan is calculated at 23.2% (31 March 2020: 23.2%) on the estimated assessable profit. Pursuant to relevant laws and regulations in Japan, withholding tax is imposed at 20.42% (31 March 2020: 20.42%) and 5% (31 March 2020: 5%) on dividends declared to local investors and foreign investors, respectively, in respect of profit generated by subsidiaries incorporated in Japan. No provision for Japan corporate income tax has been made for the period as the Japan subsidiary has incurred losses for the period.

The Group only notified the Hong Kong Inland Revenue Department (“IRD”) of its assessable profits for the years of assessment 2008/09 to 2012/13 in February 2014. After filing the respective tax returns, the Group received Notices of Assessment for the year of assessment 2008/09 in March 2014, the year of assessment 2009/10 in May 2014, and the years of assessment 2010/11 to 2012/13 in July 2014 from the IRD which stated that tax payable for the years of assessment 2008/09 to 2012/13 amounting to approximately HK\$4,566,000 in aggregate, which is based on the amounts reported in tax returns filed by the Group for relevant years. As at 30 September 2019, the IRD has not issued any penalty notice to the Group in respect of the late notification of chargeability for the relevant years, and after seeking professional advice, the directors believe that the risk of the IRD issuing an additional assessment for year of assessment 2013/14 in respect of its offshore income claim is low. Accordingly, the tax provision of approximately HK\$10,860,000 for the year of assessment 2013/14 was reversed during the period ended 30 September 2019. No tax provision was reversed during the period ended 30 September 2020.

The Group has lodged the offshore profits claims in respect of the trading income (other than trading income derived from Hong Kong affiliates of Japanese customers) and licensing income which were derived outside Hong Kong. Hence, the Group estimated the total tax payable for the years of assessment of 2008/09 to 2012/13 (on the assumption that the aforesaid offshore profit claims will be accepted by the IRD) amounted to HK\$4,566,000 and has already paid such amount to the IRD based on the tax returns received. As at 30 September 2020, the offshore profits claims are still under review by the IRD. The directors of the Company opined that in the event that the offshore profits claims in respect of the trading income are not accepted but the offshore profits claims in respect of the licensing income are accepted by the IRD, the estimated outstanding tax payable by the Group as at 30 September 2020 would be HK\$90,786,000 after considering the overprovision of years of assessment 2008/09 to 2013/14 (31 March 2020: HK\$88,672,000 for the overprovision of years of assessment 2013/14). The directors believe that the Group has made appropriate provision in respect of the possible tax liability.

Save as disclosed above, the Group is not subject to taxation in any other jurisdictions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

7. Profit for the Period

	Six months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Staff costs:		
Directors' emoluments	2,322	1,433
Other staff costs		
Salaries and other benefits	40,807	36,596
Retirement benefits scheme contributions	5,852	6,265
Defined benefits costs	53	62
Share-based payments expense	–	1,390
	49,034	45,746
Cost of inventories recognised as expenses	40,229	61,542
Depreciation of property, plant and equipment	25,076	39,592
Depreciation of right-of-use assets	16,740	–
Amortisation of intangible assets (included in cost of sales and services)	16,695	20,746
Amortisation of intangible assets (included in administrative expenses)	2,092	130
Interest income	(58)	(593)
Lease payments under operating leases in respect of rental premises		
Minimum lease payments	653	8,200
Contingent rents (note)	(4,944)	85
Loss on disposal of property, plant and equipment	–	998

Note: The operating lease rentals for indoor theme parks are determined as the higher of a fixed rental or a predetermined percentage on revenue of respective indoor theme parks pursuant to the terms and conditions that are set out in the respective rental agreements.

8. Dividends

During the current interim period, no final dividend in respect of the year ended 31 March 2020 (31 March 2019: HK\$2.3 cent per share) was declared to the owners of the Company. The aggregate amount of the final dividend declared in the interim period amounted to HK\$Nil (31 March 2019: HK\$21,161,000).

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

9. Earnings Per Share

(a) Basic earnings per share

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the period attributable to owners of the Company)	25,525	24,849
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	944,346	920,062

(b) Diluted earnings per share

For the six months ended 30 September 2019 and 2020, diluted earnings per share attributable to owners of the Company were not presented because the impact of the exercise of the Company's share options was anti-dilutive.

10. Movements in Property, Plant and Equipment

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK\$2,507,000 (30 September 2019: HK\$1,087,000).

During the current interim period, the Group paid approximately HK\$1,246,000 (30 September 2019: HK\$7,842,000) for the acquisition of property, plant and equipment to expand its operations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

11. Intangible Assets

	Film rights and applications HK\$'000 (Note i)	Animation characters HK\$'000 (Note ii)	Indoor theme park right HK\$'000 (Note iii)	Exclusive distribution right HK\$'000 (Note iv)	Trademark HK\$'000 (Note v)	Total HK\$'000
COST						
At 1 April 2019	115,324	60,523	2,279	30,000	26,286	234,412
Additions	174,464	49,500	–	–	–	223,964
Disposal	(95,550)	(12,867)	–	(30,000)	–	(138,417)
Disposal of a subsidiary	(1,450)	(31,250)	–	–	–	(32,700)
Exchange adjustments	–	–	–	–	231	231
At 31 March 2020	192,788	65,906	2,279	–	26,517	287,490
Arising on acquisition of a subsidiary (Note 23)	56,265	–	–	–	–	56,265
Exchange adjustments	2,642	–	–	–	(2)	2,640
At 30 September 2020	251,695	65,906	2,279	–	26,515	346,395
AMORTISATION						
At 1 April 2019	23,792	12,107	1,140	7,500	11,877	56,416
Charge for the year	22,446	11,000	228	3,000	5,280	41,954
Written-back	(36,231)	(7,306)	–	(10,500)	–	(54,037)
Written back on disposal of a subsidiary	(985)	(9,375)	–	–	–	(10,360)
At 31 March 2020	9,022	6,426	1,368	–	17,157	33,973
Charge for the period	14,522	1,497	113	–	2,687	18,819
At 30 September 2020	23,544	7,923	1,481	–	19,844	52,792
CARRYING VALUES						
At 30 September 2020 (unaudited)	228,151	57,983	798	–	6,671	293,603
At 31 March 2020 (audited)	183,766	59,480	911	–	9,360	253,517

Notes:

- (i) Film rights and applications represent the acquisition of film rights and applications from production parties for the distribution of films and applications in various videogram formats, film exhibition, licensing and sub-licensing of film titles and mobile phone applications. Film rights and applications are stated at cost less accumulated amortisation and accumulated impairment losses. The costs of film rights and applications are amortised on a straight-line basis over their estimated useful lives starting from the completion of films and applications.
- (ii) Animation characters represent the acquired intellectual properties in the form of trademarks and copyrights of various animation brands and related characters under the ownership of the Group.
- (iii) Indoor theme park right represents the acquired intellectual property rights in the form of trademarks and know-how under a licensing agreement (the “**Licensing Agreement**”) with SEGA Corporation, a Japanese corporation. The term of the Licensing Agreement is 10 years from the date of the Licensing Agreement which is renewable subject to negotiation among the parties concerned.
- (iv) Exclusive distribution right represents the acquired virtual reality game machine and application worldwide exclusive distribution right from an independent third party. In accordance with the agreement, the exclusive distribution right has an indefinite useful life. The directors of the Company are of the opinion that the useful life of the exclusive distribution right should be no more than 10 years based on the studies performed by the management of the Group on product life cycle, market, competitors and environmental trends.
- (v) The trademark acquired on acquisition of CA Sega Joypolis Limited under Trademark Licence Agreement (the “**Trademark Licence Agreement**”) with SEGA Holdings Co., Ltd. (“**SEGA Holdings**”) for a non-transferrable and non-exclusive right to use and sub-license the JOYPOLIS trademark for the establishment and operation of indoor theme park with JOYPOLIS worldwide. The term of the trademark Licence Agreement is 5 years from the date of the Trademark Licence Agreement which is renewable for another 5 years subject to negotiation among the parties concerned.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

11. Intangible Assets (Continued)

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

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

12. Interest in associates

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Share of net assets	177,841	5,110

The movements of share of net assets during the period are as follows:

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
At beginning of the period/year	5,110	5,658
Additions	144,011	–
Share of profits of associates	29,006	–
Share of post-acquisition loss and other comprehensive expense	–	(537)
Exchange adjustments	(286)	(11)
	177,841	5,110

13. Financial Asset At Fair Value Through Other Comprehensive Income

The amount represented listed equity securities listed in Hong Kong. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

The fair value of the listed equity securities is based on their current bid prices in active markets, and therefore classified under level 1 of fair value hierarchy.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

14. Trade Receivables

The Group generally allows a credit period ranging from 30 days to 90 days to its trade customers except certain major customers with a good track record which may be granted a longer credit period of 180 days.

The following is an analysis of trade receivables by age, presented based on the invoice dates, which approximated the revenue recognition dates:

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
0 to 90 days	59,741	27,055
91 to 180 days	17,960	5,961
181 to 365 days	31,418	42,801
Over 365 days	7,185	6,582
	116,304	82,399

15. Other Receivables, Deposits and Prepayments

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Proceeds receivable from disposal of intangible assets	159,227	185,827
Proceeds refundable from a game developer	25,759	25,759
Proceeds receivable from disposal of property, plant and equipment	49,514	66,129
Prepayment (Note)	64,078	47,665
Other receivables, deposits and prepayments	48,018	14,817
	346,596	340,197
Less: Allowance for credit loss	(4,300)	(4,300)
	342,296	335,897

Note: As at 30 September 2020, included in the balance of prepayments is a prepayment for purchase of animation derivative products made to the main supplier of the Group, amounting to approximately HK\$38,000,000.

16. Amount Due from a Director

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Mr. Chong Heung Chung Jason	1,970	–

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

17. Financial Asset at Fair Value Through Profit Or Loss

The amount represents structured deposits. The structured deposits are wealth management products issued by a bank in Mainland China and are classified as financial assets at fair value through profit or loss at 30 September 2020 and 31 March 2020 as their contractual cash flows are not solely payments of principal and interest. The Group uses structured deposits primarily to enhance the return on investment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

18. Trade and Notes Payables

The average credit period on purchases of goods is 30 days. The following is an analysis of trade payables and notes payable by age, presented based on the invoice dates at the end of the reporting period:

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
0 to 30 days	6,444	7,996
Over 90 days	217	217
	6,661	8,213

19. Guaranteed Note

On 27 September 2017, the Company issued HK\$200,000,000 of 7.5% secured guaranteed note (the “**Guaranteed Note**”), which was originally matured on 27 September 2018. During the year ended 31 March 2018, the Company repaid principal amount of HK\$60,000,000. The outstanding principal of HK\$140,000,000 has renewed maturity on 26 September 2019 and coupon rate of 9.5%. The interest on the Guaranteed Note is payable semi-annually in arrears and the note is denominated in HK\$. During the year ended 31 March 2020, the Company repaid principal amount of HK\$40,000,000 before the original maturity date, and the outstanding principal of HK\$100,000,000 was granted a further extension of maturity date by the purchaser to 26 September 2020, with a revised coupon rate of 10.5%. At 30 September 2020, the Guaranteed Note is subject to renewal, and before such further extended maturity date, a principal amount of HK\$20,000,000 was repaid. In the opinion of the directors of the Company, such revisions do not represent a substantial modification of the original Guarantee Note and accordingly, the effective interest rate, has been adjusted at the date of modification.

The Guaranteed Note was secured by the Company’s shares held by the Controlling Shareholder of the Company and guaranteed by the Controlling Shareholder of the Company. The proceeds were utilised for general corporate purpose and other investment opportunities.

20. Bonds

During the period ended 30 September 2019, the Company issued bonds at par in an aggregate principal amount of HK\$66,600,000 (31 March 2019: HK\$106,400,000) (the “**Bonds**”). The Bonds are denominated in HK\$ and are unlisted. The Bonds are unsecured and carry interest at a nominal rate ranging from 6% to 8.67% per annum (31 March 2019: 6% to 8.67% per annum), payable semi-annual and annual in arrears with a maturity period ranging from 3 to 7.5 years (31 March 2019: 3 to 7.5 years). The proceeds are being utilized for development of the indoor theme park business and general working capital of the Group.

21. Bank and Other Borrowings

During the period, the Group has drawn new bank borrowings amounting to HK\$32,584,500 (six months ended 30 September 2019: HK\$29,078,000). The bank and other borrowings carry interest at variable market rates ranging from 1.02% to 1.12% (31 March 2020: Nil) per annum and are repayable on demand or having maturity from 2018 to 2022. The Group repaid bank borrowings of HK\$17,279,649 during the six months ended 30 September 2020 (six months ended 30 September 2019: HK\$8,898,000). The proceeds were mainly used to finance the acquisition of property, plant and equipment.

There are no bank borrowings secured by pledged bank deposit as at 30 September 2020 (31 March 2020: HK\$11,004,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

22. Share Capital

	Number of shares	Share capital HK\$'000
Authorised:		
At 1 April 2019, 31 March 2020 and 30 September 2020 of HK\$0.1 each	5,000,000,000	500,000
Issued and fully paid:		
At 1 April 2019 and 31 March 2020	920,062,000	92,006
Issues of new shares (Note 23)	44,000,000	4,400
At 30 September 2020	964,062,000	96,406

Note: All the shares issued ranked pari passu in all respects with the then existing shares in issue.

23. Acquisition of a subsidiary

On 22 June 2020, the Group as the purchaser entered into a sale and purchase agreement with an independent third party and its connected persons as the vendor to acquire the entire issued share capital of Flourishing Emerald Limited (“**Flourishing**”) at the total consideration of approximately HK\$121,800,000. The acquisition was completed on 22 June 2020, which is also the acquisition date for accounting purpose. The total consideration was settled by the issue of 44,000,000 shares of the Company (“**Consideration Shares**”). The fair value of the Consideration Shares on 22 June 2020 amounted to approximately HK\$121,800,000. The fair value of the Consideration Shares was determined by reference to the published closing price of HK\$2.77 at the completion date. Flourishing became an indirect wholly-owned subsidiary of the Company and the financial results of Flourishing were consolidated into the Company’s consolidated financial statements.

Flourishing and its effectively controlled PRC company through certain VIE arrangements are principally engaged in the business of, inter alia, developing VR technology and related products, sales of toys and gifts, and the import and export of goods and technology.

The fair value of the identifiable assets acquired and liabilities assumed of the acquiree as at the date of acquisition were as follows:

	HK\$'000
Net assets acquired:	
Property, plant and equipment	33,155
Intangible assets	56,265
Bank balance and cash	8,206
Inventories	7,863
Trade receivables	12,589
Tax receivables, deposit and payable	21,777
Trade payable	(10,461)
Other payables and accruals	(5,201)
Tax payable	(2,360)
Total identifiable net assets at fair value	121,833
Consideration	121,833
Goodwill	–
Total purchase consideration satisfied by:	
Issuance of new shares at fair value	121,833
Net cash inflow/outflow arising on acquisition:	
Cash and cash equivalents acquired	8,206

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

24. Related Party Disclosures

(a) Related and connected party transactions

During the current interim period, the Group entered into following transactions with related parties, certain of which is also deemed to be connected parties pursuant to the Listing Rules. Significant transactions with these parties during the period as follows:

		Six months ended 30 September	
		2020	2019
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Controlling Shareholder	Rental expense for premises	–	1,133
SEGA Holdings	Royalty expense for trademark licence	428	1,219

(b) Guarantees provided by related parties and pledges over assets of related parties

Details of personal guarantees provided by related parties and details of pledges over assets of related parties in connection with the guaranteed note are set out in note 19.

(c) Details of the outstanding balances with other related parties are set out in note 16.

(d) Compensation of key management personnel

The remuneration of key management personnel which represent the executive directors and key executives of the Company during the period was as follows:

		Six months ended 30 September	
		2020	2019
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Salaries and other benefits		4,297	4,652
Retirement benefit schemes contributions		116	71
Share-based payments expense		–	133
		4,413	4,856

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

25. Share-Based Payments

Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 16 February 2015 for the primary purpose of attracting and retaining the best available personnel, providing additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers ("Eligible Participants") of the Group and promoting the success of the business of the Group and will remain in force for a period of ten years commencing on the adoption date and shall expire at 15 February 2025. The board of directors of the Company may grant options to Eligible Participants to subscribe for shares in the Company.

At 30 September 2020, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 12,873,240 (31 March 2020: 12,873,240), representing 1.33% (31 March 2020: 1.40%) of the shares of the Company in issue at that date. As at 30 September 2020, the number of securities of the Company available for issue under the Scheme was 79,132,960, representing approximately 8.21% of the issued share capital of the Company as at 30 September 2020. The total number of shares of each Eligible Participant in respect of which options that may be granted under the Scheme is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. However, the total maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not exceed 10% of the issued share capital of the Company from time to time. Options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares as stated in the daily quotation sheet issued by the Stock Exchange at the date of the grant) in excess of HK\$5 million, within any 12-month period up to and including the date of grant, are subject to shareholders' approval in advance in a general meeting.

Options granted must be taken up within 30 days from the date of grant, upon payment of a nominal consideration of HK\$1 in total by each grantee. Options may be exercised at any time for a period determined by its directors which shall not be later than the day immediately preceding the tenth anniversary of the date of grant. The exercise price of the share options must be at least the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant of the share options; (ii) the average closing price of the Company's shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of an ordinary share on the date of grant.

Details of specific categories of options are as follows:

Date of grant	Vesting period	Exercisable period	Outstanding at 30 September 2020 and 31 March 2020
29 February 2016	29 February 2016–31 August 2016	1 September 2016–28 February 2021	2,574,648
29 February 2016	29 February 2016–27 February 2017	28 February 2017–28 February 2021	2,574,648
29 February 2016	29 February 2016–27 February 2018	28 February 2018–28 February 2021	2,574,648
29 February 2016	29 February 2016–27 February 2019	28 February 2019–28 February 2021	2,574,648
29 February 2016	29 February 2016–27 February 2020	28 February 2020–28 February 2021	2,574,648
			12,873,240
Exercisable at 30 September 2020 and 31 March 2020			12,873,240

During the six months ended 30 September 2020, no option was granted.

No share-based payments were recognised by the Group for the six months ended 30 September 2020 (30 September 2019: HK\$1,390,000) in relation to share options granted by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in different businesses in the animation industry, with its primary focus on the development of indoor theme park business. In January 2017, the Group completed an acquisition of 85.1% equity interest in Sega Live Creation Inc. (currently known as CA Sega JOYPOLIS Limited) (“**CA Sega**”) and hence expanded the operations of JOYPOLIS theme parks in Japan since then. The Group is also engaged in the sales of animation-derived products (mainly toys) featuring renowned third-party owned animation characters for the Japanese market with the provision of value-added services to its customers. The business objective of the Group is to establish a multi-media business in the PRC and other countries and in this connection, the Group has been actively expanding its business during the six months ended 30 September 2020 as well as the development of animation business featuring the proprietary animation characters developed by the Group.

Industry Review

The epidemic has brought an unprecedented shock and uncertainties to the global market and economy, but governments of various countries and regions have actively adopted different measures to reduce the economic damage caused by the epidemic, and to accelerate the restoration of economic activities.

During the period under review, the epidemic in China was gradually brought under control, and the original economic activities were gradually restored. However, other countries, especially those in Europe and the United States, have suffered from severe epidemic. The lockdown measures in many countries have not been lifted, which has also affected the daily trading and businesses among countries.

Business Review

1. Animation Derivatives Business: Effective Premium Client Sales Strategy

Being the first batch of companies engaged in trading business that successfully resumed work during the epidemic, the animation derivatives business of the Group returned to normal gradually throughout the period under review. All staff and products have been “zero infected” since the resumption, which was highly recognized by the customers. Due to the effectiveness of the premium client sales strategy, the Group was able to secure new orders with higher profitability.

2. Indoor Theme Park Business: Trendy Brand Effect Promotes Commercial Private Events and Local Tour Cooperation

The Group continues to license CA SEGA JOYPOLIS and Wonder Forest kids’ amusement park with an asset-light model. During the period under review, due to the impact of the epidemic, the parks needed to suspend operations or shorten the business hour, which had a significant impact on the tickets and operating income. All parks have resumed normal operations since July, and in around September, the parks recorded a flow of around 80% when compared to that of same period last year.

The trendy brand effect of CA SEGA JOYPOLIS has brought increased commercial private events organized by celebrities and renowned brands and reduced the impact of the epidemic on revenue. During the period under review, Shanghai JOYPOLIS held several celebrity business private events including the birthday fan gatherings of male celebrities Mr. Vin ZHOU (周震南) and Mr. YiBo Wang (王一博), attracting thousands of fans to purchase tickets to CA SEGA JOYPOLIS.

In addition, the Group actively increased park ticket revenue through online marketing channels including theme park live streaming, KOL live streaming, online ticketing platforms and so on. The Group also cooperated with real estate developers, hotels and shopping platforms on different festivals such as May Day and National Day to launch “F&B + Theme Park”, “Hotel + Theme Park”, “Shopping + Theme Park” local tour package offers to increase ticket sales and attracted tourists to repeat purchase for different events and game facilities in the parks.

3. Multimedia Entertainment Business: Enriches VR Resources and IP Patents

During the period under review, the Group acquired companies possessing VR and IP patents to enrich the Group’s multimedia technology and IP resources.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The following sets forth a summary of the performance of the Group for the six months ended 30 September 2020 with comparative figures for the corresponding period as follows:

	For the six months ended 30 September	
	2020	2019
Revenue (HK\$'000)	172,374	236,127
Gross profit (HK\$'000)	38,169	51,093
Gross profit margin (%)	22.1	21.6
Profit attributable to owners of the Company (HK\$'000)	25,525	24,849

Revenue

The revenue decreased by HK\$63.7 million, or approximately 27.0%, from HK\$236.1 million for the six months ended 30 September 2019 to HK\$172.4 million for the six months ended 30 September 2020. The decrease was primarily due to a decrease of HK\$36.7 million from the revenue of the operation of indoor theme parks business, a decrease in sales of animation derivative products of HK\$27.3 million and an increase of revenue from multimedia animation entertainment of HK\$0.3 million.

Sales of animation derivative products

The revenue from sales of animation derivative products decreased by approximately 31.4%, from HK\$87.2 million for the six months ended 30 September 2019 to HK\$59.8 million for the six months ended 30 September 2020, primarily due to the effect of epidemic, leading to a decrease in purchase orders.

Establishment and operation of indoor theme parks

The revenue from establishment and operation of indoor theme parks decreased by approximately 27.1% from HK\$135.2 million for the six months ended 30 September 2019 to HK\$98.5 million for the six months ended 30 September 2020. The number of visitors based on ticket sales decreased by approximately 36.4% from 1.1 million for the six months ended 30 September 2019 to 0.7 million for the six months ended 30 September 2020.

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

	2020 '000	2019 '000
PRC	568	703
Japan	85	372
	653	1,075

The decrease in revenue and number of visitors were primarily due to the effect of epidemic for the six months ended 30 September 2020.

Financial Review (Continued)

Multimedia animation entertainment

The revenue from multimedia animation entertainment slightly increased by HK\$0.3 million, or approximately 2.2%, from HK\$13.7 million for the six months ended 30 September 2019 to HK\$14.0 million for the six months ended 30 September 2020. The revenue from multimedia animation entertainment included revenue generated from licencing income, ticket sales for VR games and event activities.

Cost of sales and services

The cost of sales and services decreased by HK\$50.8 million, or approximately 27.5%, from HK\$185.0 million for the six months ended 30 September 2019 to HK\$134.2 million for the six months ended 30 September 2020. The decrease was primarily due to the decrease in the revenue of theme park business and the trading of animation derivative products.

Gross profit and gross profit margin

The Group's gross profit decreased by HK\$12.9 million, or approximately 25.3%, from HK\$51.1 million for the six months ended 30 September 2019 to HK\$38.2 million for the six months ended 30 September 2020. The Group's gross profit margin slightly increased from approximately 21.6% for the six months ended 30 September 2019 to approximately 22.1% for the six months ended 30 September 2020. The decrease in the gross profit was mainly due to the decrease in the revenue from the sale of derivative products, theme park business and the multimedia animation entertainment business.

Other gains and losses

Other gains and losses decreased by HK\$28.4 million from HK\$71.0 million for the six months ended 30 September 2019 to HK\$42.6 million for the six months ended 30 September 2020. The decrease was mainly due to a holding gain of HK\$50.3 million was recognised on financial assets measured at fair value through profit and loss for the period ended 30 September 2020 while a gain of HK\$70.5 million on disposal of intangible assets – film rights and applications was recognised during the period ended 30 September 2019.

Selling and distribution expenses

The selling and distribution expenses decreased by HK\$13.6 million, or approximately 65.1%, from HK\$20.9 million for the six months ended 30 September 2019 to HK\$7.3 million for the six months ended 30 September 2020. The Group's selling and distribution expenses as a percentage of revenue decreased from approximately 8.9% for the six months ended 30 September 2019 to approximately 4.2% for the six months ended 30 September 2020. The decrease was due to the effect of epidemic. The spending in promotion activities was decreased.

Research and development expenses

The research and development expenses decreased by HK\$1.5 million from HK\$7.3 million for the six months ended 30 September 2019 to HK\$5.8 million for the six months ended 30 September 2020. The decrease was primarily due to effect of epidemic. The spending in research and development to new amusement rides and games for indoor theme parks was decreased.

Profit attributable to owners of the Company

The profit attributable to owners of the Company increased by HK\$0.7 million, or approximately 2.7%, from HK\$24.8 million for the six months ended 30 September 2019 to HK\$25.5 million for the six months ended 30 September 2020. The increase was primarily due to the recognition of holding gain on financial assets measured at fair value through profit and loss of HK\$50.3 million and share of profits of associates of HK\$29.0 million which compensated the decrease in the revenue of sale of derivative products and theme park business due to the effect of epidemic.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Prospects

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

The Group will continue to license and expand CA SEGA JOYPOLIS and demonstrate in terms of R&D, operation, and management which have been accumulated for more than 24 years.

The Group is planning to develop CA SEGA JOYPOLIS in different places over the world with several partners in the PRC and the overseas. It is expected to contribute licensing fee, equipment sales fee and revenue share to the Group. As for the PRC, the Group will execute theme park business plan with the licensing partners when the epidemic ebbs. As for the overseas market, the Group has entered a MOU with another international partner to select a location for launching theme park in the UK within approximately half a year and explore the possibility to launch theme parks in Europe, North America and elsewhere.

The Group will also upgrade the online theme park sales and ticket platform to offer premium member service such as MR/VR education content, theme park online streaming, IP derivative sales and different online interactions experiences, to increase users' loyalty and increase revenue sources without the effect of geographical elements.

To Promote Synergy among Core Businesses to Increase Revenue Sources and Profitability

The Group will further facilitate the synergy among different business segments under its dual online and offline strategy such as introducing different kinds of theme park activities using IP as the theme, including entertainment content such as IP F&B, IP parade, IP sales to increase source of revenue; to develop an IP Mall with "original and quality" as elements, equipped with the Group's rich IP resources and design, R&D and production capabilities in animation derivatives products, to jointly sell and promote the products with top-notch online high-end sales platform and the largest theatre cinema chain, supermarket as well as convenience store brand in the PRC to increase the profitability of the Group, and to satisfy anime fans' desire for limited edition of quality products.

To Strengthen Animation Resources and R&D Capabilities via M&A

Following the acquisition of SEGA JAPAN SEGA Live Creation Inc. (renamed as CA SEGA JOYPOLIS Ltd.) in 2017, the Group has become the world's leading whole industry chain R&D center and operator of large indoor amusement park and VR theme park, which further strengthened the resources and R&D capability of the Group's animation cultural business. The Group will continue to identify quality M&A opportunities in the PRC and overseas to strengthen the Group's animation cultural resources and R&D capabilities in the globe.

To Coordinate with National Policies to Press ahead Cultural Industry

With the support of national policies and government resources, the Group is building an animation cultural industry base in the PRC at a preferential cost. The Group will inject its animation cultural resources and will introduce different international cultural enterprises or partners to develop the project and enjoy the sales profits brought by the project.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of Net Proceeds from the Global Offering

The Company has received net proceeds of approximately HK\$298.6 million after deducting the underwriting fee and commissions and relevant expenses in connection with the global offering on 12 March 2015. As at 30 September 2020, approximately HK\$251 million of the net proceeds had been used by the Group. The unutilised net proceeds were deposited with a licenced bank in Hong Kong. The following sets forth a summary of the utilisation of the net proceeds:

	Original planned allocation of net proceeds from the Global Offering		Actual utilised as at 30 September 2020	Unutilised as at 30 September 2020
	%	HK\$'million	HK\$'million	HK\$'million
For the capital expenditure and the working capital for the <i>Shanghai JOYPOLIS</i> and for use in planning the next <i>JOYPOLIS</i>	40.0	119.4	119.4	–
For possible investment in, acquisition of, and/or formation of strategic cooperation with, domestic or international companies which operate animation-related businesses, including without limitation, animation-related event organisers, mobile and internet applications developers and animation-related multi-media platforms	30.0	89.6	42.0	47.6
For the development, production and technical enhancement of music animation concerts and the related promotional and marketing activities and the development of consignment sales business	20.0	59.7	59.7	–
For working capital and general corporate purposes	10.0	29.9	29.9	–
Total	100.0	298.6	251.0	47.6

Capital Structure, Liquidity and Financial Resources

As at 30 September 2020, the authorised share capital of the Company was HK\$500.0 million divided into 5,000,000,000 shares of HK\$0.1 each and the issued share capital of the Company was approximately HK\$964.1 million divided into 964,062,000 shares of HK\$0.1 each. During the interim period, the Company issued 44,000,000 shares for the acquisition of Flourishing, currently an indirect wholly-owned subsidiary of the Company. Details please refer to the announcements of the Company dated 24 April 2020 and 22 June 2020.

As at 30 September 2020, the cash and bank balances of the Group were HK\$64.7 million (31 March 2020: HK\$52.8 million). The increase was mainly due to that funds were raised from bank borrowings and bonds during the six months ended 30 September 2020.

As at 30 September 2020, the Group had a gearing ratio (calculate as secured bank borrowings, lease liabilities, guaranteed note and bonds, divided by total assets) of approximately 33.6% (31 March 2020: approximately 35.8%).

During the six months period ended 30 September 2020, the Company issued bonds in par in an aggregate principal amount of HK\$4 million. The bonds are denominated in HK\$ and are unlisted. The bonds are unsecured and carry interest at a nominal rate ranging from 6% to 8.67% per annum, payable semi-annually and annually in arrears with a maturity period ranging from 0.5 to 7.5 years. The proceeds were mainly utilised for the development of indoor theme park business and as general working capital of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Treasury Policies

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the six months ended 30 September 2020. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage the liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Future Plans for Material Investments and Capital Assets

The Group will continue to develop the indoor amusement theme parks in the globe and develop Anime IP eCommerce Platform. Moreover, the Group will continue to develop VR technology projects including setting up partnerships with an independent third party for selling of VR equipment, development of VR game contents and VR eSports with the integration of 5G technology and so on.

The Directors believe that VR technology projects will be another significant contributor to the Group's business development in the future.

Mortgages and Pledges

As at 30 September 2020, no bank deposit of the Group was pledged to bank for banking facilities obtained (31 March 2020: HK\$15.1 million).

Contingent Liabilities

The Group did not have significant contingent liabilities as at 30 September 2020 (31 March 2020: Nil).

Foreign Exchange Exposure

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

Environmental Policy

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

Employees and Remuneration Policies

As at 30 September 2020, the Group had 379 employees (30 September 2019: 370 employees). For the six months ended 30 September 2020, employees' remuneration and benefits in kind and contribution to the pension scheme (including the Directors' remuneration and benefits in kind and contribution to the pension scheme) amounted to HK\$49.0 million (six months ended 30 September 2019: HK\$45.7 million). The increase was mainly attributable to the increase of HK\$4,211 million in employee remuneration and the increase of HK\$889 million in the Directors' remuneration. The Group's remuneration package is determined with reference to the experience and qualification of the individual employees and the general market conditions. The Group also ensures that all employees are provided with adequate training and continued professional opportunities according to their needs. A share option scheme has been established to provide incentives and remuneration to eligible Directors, employees and business partners of the Group in recognition of their contributions. On 29 February 2016, 21,455,400 options have been granted to eligible Directors, employees and two consulting firms pursuant to the share option scheme adopted by the Company on 16 February 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the six months ended 30 September 2020.

Audit Committee and Review of Interim Financial Results

Pursuant to Rule 3.21 of the Listing Rules, the Company established an audit committee (the "**Audit Committee**") with written terms of reference aligned with the Corporate Governance Code as stated in Appendix 14 of the Listing Rules (the "**CG Code**"). The Audit Committee comprises three independent non-executive Directors, namely Mr. TSANG Wah Kwong (Chairman), Mr. HUNG Muk Ming, and Mr. NI Zhenliang.

The Audit Committee has discussed with the management of the Group and reviewed the unaudited interim financial results of the Group for the six months ended 30 September 2020, including the accounting principles and practices adopted by the Group, and discussed financial related matters. The unaudited interim financial information of the Group for the six months ended 30 September 2020 has been reviewed by the Audit Committee.

Interim Dividend

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

Compliance with Model Code for Securities Transaction

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set forth in Appendix 10 of the Listing Rules (the "**Model Code**") as its own code of conduct regarding securities transaction by the Directors. Having made specific enquiry with the Directors, all Directors confirmed that they have fully complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2020.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this interim report, the Company has maintained sufficient prescribed public float of the issued shares as required under the Listing Rules.

OTHER INFORMATION

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

As of 30 September 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were set forth below:

Long positions in the shares and underlying share of the Company

Name of Directors	Capacity/nature of interest	Name of the controlled corporations	Number of shares	Approximate percentage of shares in issue
CHONG Heung Chung Jason	Interest of controlled corporation (Note 1)	Bright Rise	298,733,000 (L)	30.99%
	Interest in persons acting in concert (Note 2)	–	417,246,000 (L)	43.28%
	Spouse interest (Note 3)	–	417,246,000 (L)	43.28%
TING Ka Fai Jeffrey	Interest of controlled corporation (Note 4)	Bonville Glory Limited	12,900,000 (L)	1.34%
	Interest in persons acting in concert (Note 2)	–	417,246,000 (L)	43.28%

Notes:

- All issued shares of Bright Rise are held by Newgate (PTC) Limited. Newgate (PTC) Limited is a company incorporated in the BVI on 12 September 2014 and acts as the trustee of the trust created in the Cayman Islands by Mr. CHONG on 18 November 2014, namely The Fortune Trust. The beneficiaries of The Fortune Trust currently include Mr. CHONG and his family members.
- Pursuant to the concert party agreement, the concert parties have agreed with certain arrangements pertaining to their shareholdings. Further information on the terms and conditions of the concert party agreement is set forth in the section headed "Controlling Shareholders and Substantial Shareholders – Summary of the Concert Party Agreement" in the prospectus of the Company dated 28 February 2015 (the "Prospectus").
- Ms. LEE Sui Fong Fiona is the spouse of Mr. CHONG Heung Chung Jason. Mr. CHONG is deemed to be interested in our Shares interested by Ms. LEE under the SFO.
- All issued shares of Bonville Glory Limited are held by Mr. TING.

Save as disclosed above, as at 30 September 2020, none of the Directors or chief executive or their respective associates had any interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Substantial Shareholders

As of 30 September 2020, the following persons or corporations, other than the Directors or chief executive of the Company, had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

	Name of Shareholders	Capacity	Number of shares	Shareholding percentage of shares in issue (%)
Long position	Bright Rise	Beneficial owner	298,733,000	30.99
		Interest in persons acting in concert ⁽¹⁾	417,246,000	43.28
	Newgate (PTC) Limited as trustee of The Fortune Trust created by Mr. CHONG	Interest in a controlled corporation ⁽²⁾	417,246,000	43.28
		Interest in persons acting in concert ⁽¹⁾	417,246,000	43.28
	Mr. CHONG, Ms. LEE Sui Fong Fiona and their children, being the beneficiaries of The Fortune Trust	Interest in a controlled corporation ⁽²⁾	298,733,000	30.99
		Interest in persons acting in concert ⁽¹⁾	417,246,000	43.28
	Fortress Strength Limited	Beneficial owner	20,833,000	2.16
		Interest in persons acting in concert ⁽¹⁾	417,246,000	43.28
	Ms. LEE Sui Fong Fiona	Interest in a controlled corporation ⁽³⁾	20,833,000	2.16
		Interest in persons acting in concert ⁽¹⁾	417,246,000	43.28
		Spouse interest ⁽⁴⁾	417,246,000	43.28
	Dragon Year Group Limited	Beneficial owner	50,280,000	5.22
		Interest in persons acting in concert ⁽¹⁾	417,246,000	43.28
	Mr. Shinichiro IKEDA	Personal interest	12,000,000	1.24
		Interest in a controlled corporation ⁽⁷⁾	50,280,000	5.22
		Interest in persons acting in concert ⁽¹⁾	417,246,000	43.28

OTHER INFORMATION

Substantial Shareholders (Continued)

Name of Shareholders	Capacity	Number of shares	Shareholding percentage of shares in issue (%)
Bonville Glory Limited	Beneficial owner	12,900,000	1.34
	Interest in persons acting in concert ⁽¹⁾	417,246,000	43.28
Mr. TING Ka Fai Jeffrey	Interest in a controlled corporation ⁽⁵⁾	12,900,000	1.34
	Interest in persons acting in concert ⁽¹⁾	417,246,000	43.28
East Jumbo Development Limited	Beneficial owner	22,500,000	2.33
	Interest in persons acting in concert ⁽¹⁾	417,246,000	43.28
Ms. OR Den Fung Bonnie	Interest in a controlled corporation ⁽⁶⁾	22,500,000	2.33
	Interest in persons acting in concert ⁽¹⁾	417,246,000	43.28
Short position	Nil	Nil	Nil

Notes:

- (1) Pursuant to the concert party agreement, the concert parties have agreed with certain arrangements pertaining to their shareholdings. Further information on the terms and conditions of the concert party agreement is set forth in the section headed "Controlling Shareholders and Substantial Shareholders – Summary of Concert Party Agreement" in the Prospectus.
- (2) Newgate (PTC) Limited is the sole shareholder of Bright Rise and it holds all the shares of Bright Rise in its capacity as the trustee of The Fortune Trust created by Mr. CHONG in the Cayman Islands. The beneficiaries of The Fortune Trust currently include Mr. CHONG and his family member. Bright Rise is the registered and beneficial owner of 379,486,000 Shares.
- (3) Ms. LEE is the sole beneficial owner of all issued shares of Fortress Strength Limited which is the registered and beneficial owner of 20,833,000 Shares.
- (4) Ms. LEE is the spouse of Mr. CHONG and she is deemed to be interested in our Shares interested by Mr. CHONG under the SFO.
- (5) Mr. TING is the sole beneficial owner of all issued shares of Bonville Glory Limited which is the registered and beneficial owner of 12,900,000 Shares.
- (6) Ms. OR is the sole beneficial owner of all issued shares of East Jumbo Development Limited which is the registered and beneficial owner of 22,500,000 Shares.
- (7) Mr. Shinichiro Ikeda is the sole beneficial owner of all issued shares of Dragon Year Group Limited which is the beneficial owner of 50,280,000 Shares.

Save as disclosed above, as of 30 September 2020, the Directors were not aware of any persons or corporations, other than the Directors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the six months ended 30 September 2020.

Audit Committee and Review of Interim Financial Results

Pursuant to Rule 3.21 of the Listing Rules, the Company established an audit committee (the "**Audit Committee**") with written terms of reference aligned with the Corporate Governance Code as stated in Appendix 14 of the Listing Rules (the "**CG Code**"). The Audit Committee comprises three independent non-executive Directors, namely Mr. TSANG Wah Kwong (Chairman), Mr. HUNG Muk Ming, and Mr. NI Zhenliang.

The Audit Committee has discussed with the management of the Group and reviewed the unaudited interim financial results of the Group for the six months ended 30 September 2020, including the accounting principles and practices adopted by the Group, and discussed financial related matters. The unaudited interim financial information of the Group for the six months ended 30 September 2020 has been reviewed by the Audit Committee.

Compliance with Code on Corporate Governance Practices

The Company has complied with the code provisions set out in the CG Code throughout the period, except for the following deviation:

Code Provision A.2.1

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

OTHER INFORMATION

Compliance with Model Code for Securities Transaction

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set forth in Appendix 10 of the Listing Rules (the “**Model Code**”) as its own code of conduct regarding securities transaction by Directors of the Company. Having made specific enquiry with the Directors, all Directors confirmed that they have fully complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2020.

By order of the Board

CHONG Heung Chung Jason
Chief Executive Officer and Executive Director
Hong Kong, 30 November 2020