華夏動漫形象有限公司

China Animation Characters Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code:1566)

Annual Report 2018/19

華夏動漫形象有限公司

China Animation Characters Company Limited

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CORPORATE INFORMATION

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

Principal Place of Business in Hong Kong
Suites 2808-2811, Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui East
Kowloon
Hong Kong

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

Company's Website
www.animatechina.com

Executive Directors
Mr. CHONG Heung Chung Jason (莊向松) (formerly named as Mr. ZHUANG Xiangsong (庄向松))
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) *FCPA*

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

Company Secretary
Mr. LUK Sik Tat (陸適達) *FCCA, FCPA*

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Computershare Hong Kong Investor Services Limited
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Wanchai
Hong Kong

Principal Share Registrar and Transfer Office
Conyers Trust Company (Cayman) Limited
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Grand Cayman KY1-1111
Cayman Islands

Auditor
KTC Partners CPA Limited
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Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui East
Kowloon, Hong Kong

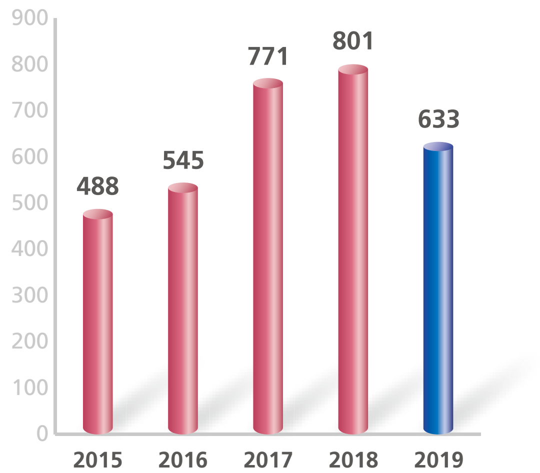
Principal Bankers
The Hongkong and Shanghai Banking Corporation Limited
Tsim Sha Tsui CVC Branch
82–84 Nathan Road
Kowloon, Hong Kong

Hang Seng Bank Limited
Chung On Street Branch
38 Chung On Street
Tsuen Wan, New Territories
Hong Kong

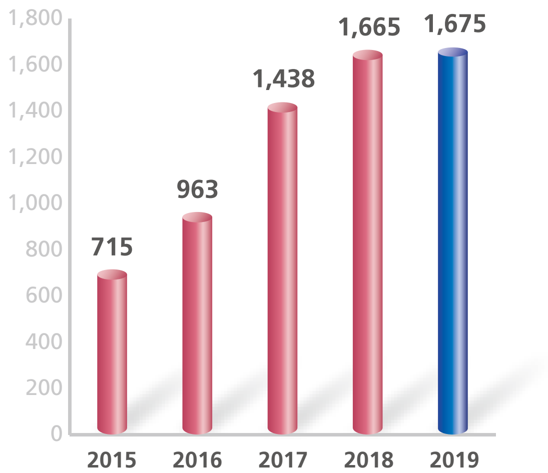
Bank of China (Hong Kong) Limited
56 and 58, Sai Kung Town Centre,
22-40 Fuk Man Road, Sai Kung,
New Territories
Hong Kong

FINANCIAL HIGHLIGHTS

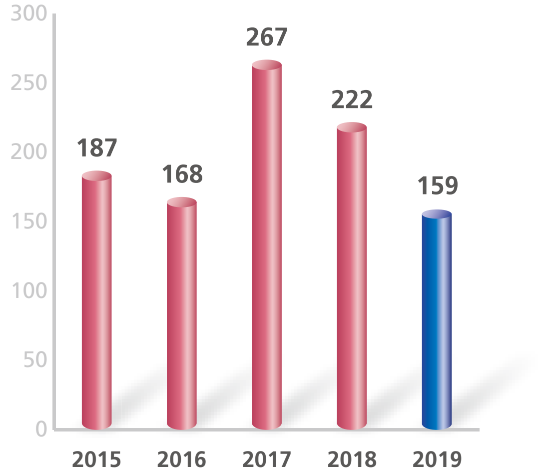
Revenue (HK$ million)



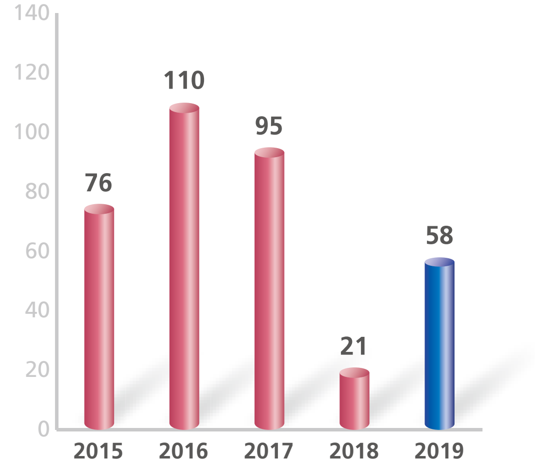
Total Assets (HK$ million)



Gross Profit (HK$ million)



Profit (HK$ million)



CORPORATE PROFILE

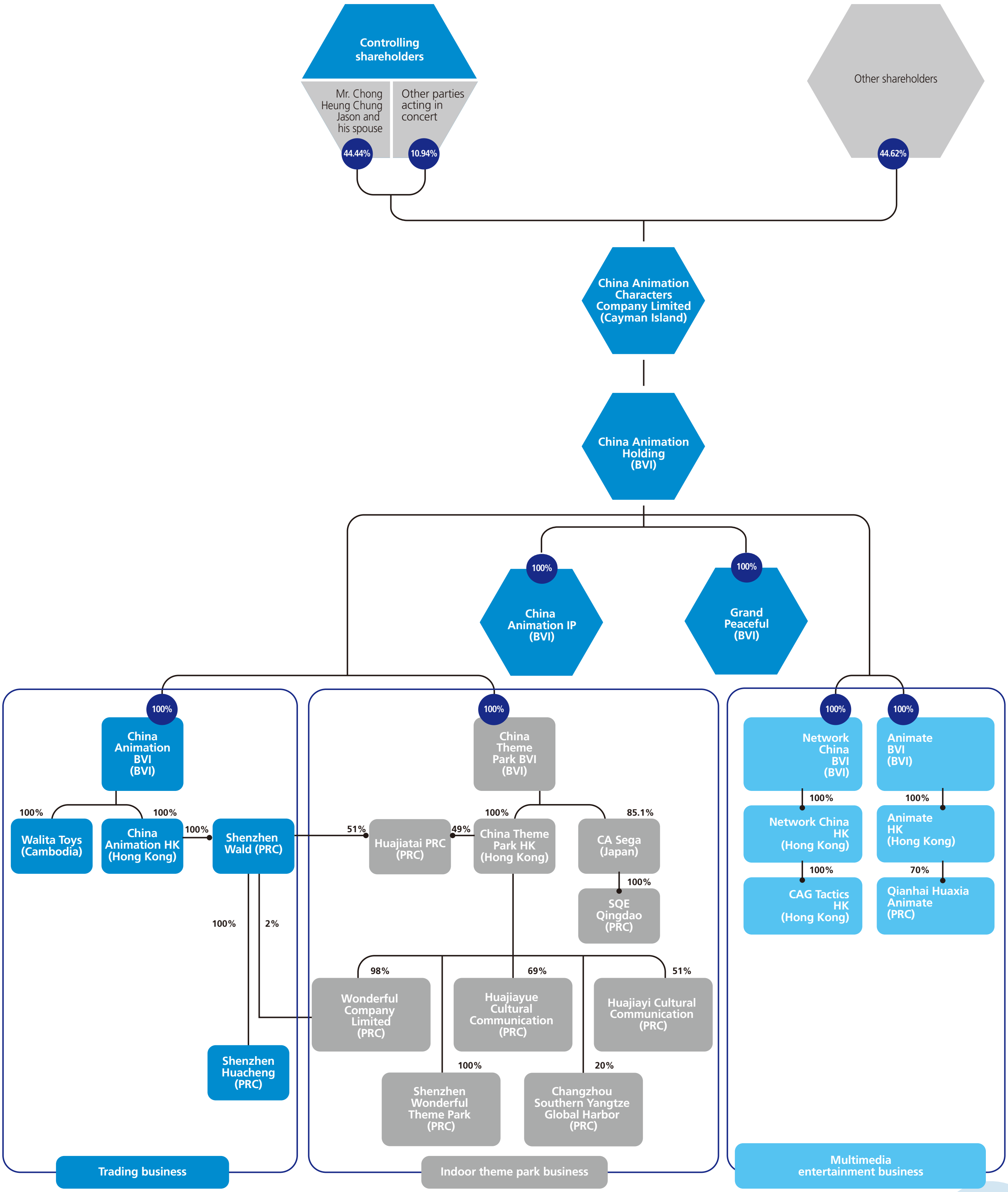
The Group is a multimedia animation entertainment group in China, with CA SEGA JOYPOLIS under asset-light model featuring animation-derived products trading business as fundamental growth elements, multimedia animation entertainment business (especially Super IP) as sustainable development growth engine, and "5G+VR eSports" as future growth potential.

As for CA SEGA JOYPOLIS, thanks to the two international brand endorsements "China Animation", and "CA SEGA JOYPOLIS", which was acquired in 2017, the Group collaborated with property developers in the PRC and government officials to introduce JOYPOLIS and family amusement park Wonder Forest to the developers' and government officials' projects focusing the Guangdong-Hong Kong-Macau Bay Area and the red tourism cultural areas. Currently, the Group operates 3 JOYPOLIS in Shanghai, Qingdao and Tokyo Japan, respectively. And the licensing business of Wonder Forest covers first-tier and second-tier cities in the PRC.

The Group owns many famous animation IP, including two top 10 national cartoon characters – "Han Ba Gui" and "Violet," as well as characters from movies and animated dramas such as "The King of Tibetan Antelope," "Project Egg," "Animal Conference on the Environment" and "Amazing UU." China's first virtual artist "Violet" created by the Group has held a number of 3D Holographic Concerts in Shenzhen and Hong Kong since 2015, and will hold her third concert by the end of 2019. The Group also enjoys close cooperative relationships with many world-leading IP brands such as "Transformers" in the US, SEGA Sonic the Hedgehog, Initial D, etc. The Group also participated as the second largest shareholder in the co-investment and co-production of the animated series "The Reflection" with international famous partners such as Studio Deen from Japan, Stan Lee "Father of Marvel" which was broadcasted over 38 countries and regions.

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

Shareholding and Corporate Structure as at 31 March 2019



CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors of China Animation Characters Company Limited ("**China Animation**" or the "**Company**"), I am pleased to present the results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2019 (the "**Period under Review**").

Looking back at the previous year, global economic growth has slowed down due to unstable factors. Facing the uncertain market outlook, the PRC market is growing in a stable and progressive manner. Generally speaking, the market is lack of direction and catalysts.

Being the first multimedia animation group listed on the main board of Hong Kong Stock Exchange, China Animation has carefully evaluated external factors and internal operating environment to make prudent strategic investments in the market resulted in secure financial returns and sufficient cashflows.

During the Period under Review, we are stepping up at a higher position for a more sustainable future in the long run. We continued to optimize the internal operation and management structures, and to undergo strategic upgrade on the core businesses. Though there will be a short effect on the revenue and profit, we think it is worthy investment which takes time to enhance our monetarization capability for more fruitful results.

As for animation-derived trading business, we improved our internal client management system to focus and allocate resource on more quality and profit-making clients to enhance potential profitability in the future. Moreover, we also extended the business layout to the Southeast Asia. Although the above adjustments may cause relatively significant drop on both purchase order and revenue, we think it is a wise decision during the industry downturn to equip ourselves to explore more future growth drivers.

As for indoor theme park, thanks to the substantial support for cultural and creative industry from the property developers in the PRC and the PRC government, we see huge growth opportunities leveraging the brand endorsements of China Animation and CA SEGA. During the Period under Review, we adopted asset-light model, we collaborated with property developers in the PRC and government officials to introduce JOYPOLIS and family amusement park Wonder Forest in the property projects. We are responsible to provide indoor theme park licensing and operation solutions to enjoy consultant and licensing fees after theme parks are opened at early stage. The "low investment, high return" model can achieve manipulation of our brand and business model to different first-tier and second-tier cities in the PRC. At the same time, we will adjust the business layout according to the market need in Japan and evaluate the operation efficiency of all indoor theme parks of the Group to maximize their profitability.

As for multimedia animation entertainment business, the Group performed well during the Period under Review, especially IP business which recorded outstanding performance and brought significant revenue and profit to the Group. Currently, we are negotiating with several potential partners regarding IP licensing cooperation and will soon become growth drivers and source of income of the Group.

In the previous year, China Animation further consolidated the foundation of the core businesses, and at the same time, with the Group's tremendous strength, we have foreseen better business opportunities. Looking ahead to the future, we will 1) further leverage asset-light model to focus on the development of CA SEGA JOYPOLIS and Wonder Forest. We will continue to collaborate the property developers and government officials to introduce CA SEGA Entertainment Park, focusing in the Guangdong-Hong Kong-Macau Bay Area and the red cultural tourism areas to enjoy profit share; 2) cooperate with the international animation group to cultivate and identify more quality IP to release the commercial and investment values of the IP; 3) act as the first mover in the new industry development, with the implementation of 5G technology, the Group will upgrade its VR eSports game to achieve synergy with animation derived products. We will continue to develop VR games using red tourism as theme to further penetrate the market.

On behalf of the Board, I would like to express my gratitude to the shareholders and stakeholders of the Company for their continuous trust and support. I also wish to thank our dedicated staff and management for their contribution which have led to such favourable results. In the year ahead, we believe that there will still be many uncertainties and changes in the market, but China Animation will continue to "be proactive and aggressive but not forgetting in maintain stable and healthy growth" as the management guidelines to continue to bring fruitful returns to the investors and shareholders.

Chong Heung Chung Jason
Chairman
Hong Kong, 26 June 2019

Industry review

Continuous Growth in Animation Industry, Increasing Support for National Animation from the New Generations

Animation Industry in the PRC continued to show a positive growth trend recent years. "Animation Industry in the PRC Research Report 2018" released by IR Research indicated that the total gross value of animation industry output in the PRC has exceeded RMB150 billion, while the scale of animation users has been boosting. New generation represented by the 90's and 00's are showing greater support for ACG (Anime, Comics and the Games "二次元") and the national animation industry.

Being one of the significant growth drivers in cultural and creative industry, ACG animation industry has gained substantial support from the government, and was named as one of the key industries to develop in the "Twelfth Five-Year Plan" and "Thirteenth Five-Year Plan" announced by the Ministry of Culture, to further facilitate innovation of Chinese original animations and multimedia animation businesses (including proprietary of animation IP), as well as the development of industrial park and more.

Industry Underwent "the Elimination by the Survival for the Fittest" Pushed forward the Strategic Cooperation Upgrade between Chinese and Overseas Animations

Animation industry in the PRC has experienced industry upgrade and adjustment in the result of "elimination by the survival for the fittest" when undergoing diversified and sustainable development. The market responded favourably to the animation group possessing quality animation intellectual property ("IP") and multimedia industry content, which facilitated more strategic cooperation between Chinese and Overseas animations corporates to push forward the upgrade of animation industry chain, particularly the animation-derived products, theme parks and proprietary of animation IP development.

Business Review

During the year under review, the Group has orderly implemented business upgrade strategy. The Group has continued to streamline its current animation-derived products sales. At the same time, the Group promoted businesses with growth potentials including multimedia animation business such as indoor theme parks named CA SEGA JOYPOLIS and Wonder Forest, propriety of animation characters and etc, to enhance the influence of the Group in the mainland China and other overseas countries and regions. Moreover, the Group introduced asset-light strategy to accelerate business expansion and develop animation business with the proprietary animation characters developed by the Group so to further demonstrate the industry leading position and investment value of the Group.

During the year under review, the Group insisted to continue to optimize the business strategy and has achieved results as follow:

1. Orderly Adjustment on the Sales Strategy of Animation-derived Products

The Group is engaged in the business of sales of animation-derived products featuring a wide range of popular third-party owned animation characters, including general plastic toys and food-grade toys (toys that are sold by the Group's customers with food and are packaged with candy). Moreover, the Group also offers relevant value-added services, including quality control and advice on product design to certain customers in accordance with their requests, thus increase client's loyalty to the Group and create differentiative advantages among the industry.

Most of the customers of the Group are companies in Japan sourcing animation-derived products for toys companies in Japan market for leading outdoor theme parks in Japan and toy distributors of other countries with branches located in Japan.

During the year under review, the Group has adopted premium client sales strategy by adjusting the client base composition to better utilize the resources to serve the clients and maintain long term and solid client relationships. The Group has moved some of the animation-derived products trading business from Mainland China to Cambodia to minimize effect caused by the external macro factors such as US-China Trade War, which in turn resulted in a temporary effect in sales revenue. But the Group believes that such business layout adjustment will enable sustainable and stable business in the long term.

Business Review (Continued)

2. CA SEGA JOYPOLIS and Wonder Forest Indoor Theme Park: Introduced Asset-light Model to Accelerate Strategic Layout

CA SEGA JOYPOLIS of the Group targets young population and provide them with thrilling animation amusement rides and exciting interactive experience by creating a fantasy world with intense digital animation enabled by video production through cutting-edge technology.

Despite the large indoor theme park CA SEGA JOYPOLIS, in response to the huge demand on the kid's amusement parks and children education in the PRC, the Group proactively cooperated with the property developers to operate Wonder Forest. It is an indoor theme park with the target market segment of for 2-12 years old children in the first-tier and second-tier cities in the PRC.

As for CA SEGA JOYPOLIS business, the Group is currently operating three indoor interactive entertainment parks located in Shanghai and Qingdao and Tokyo Japan, respectively. During the year, the Group has signed 2 agreements to license its CA SEGA JOYPOLIS business in the PRC and the preliminary work will be kicked off soon. It will further expand the business map of the Group. The Group adjusted its business strategy by moving the indoor theme park in Osaka to Shibuya, Tokyo, to operate a new CA SEGA JOYPOLIS Virtual Reality (VR) theme park to reach its target youth market. But since the park is still in trial operation, the revenue contribution of the Group is not fully reflected.

As for Wonder Forest business, since the space needed to install children's entertainment facilities of Wonder Forest is relatively smaller, it is easier to meet the property's condition in terms of area. During the year, the Group has operated Wonder Forest in Shenzhen Bookmall. Wonder Forest in Jiangmen, Longhua Shenzhen and Inner Mongolia have also started operations with licensed proprietary. The first Wonder Forest was opened on 1 January 2015 in Shanghai, creating business synergies with CA SEGA JOYPOLIS nearby, and inducing people's flow in that district. The Group currently operates two Wonder Forest in Yitian and Longguang in Shenzhen, the PRC.

3. VR eSports Trend Unfolded and Enhanced Synergies between Multimedia Animation Businesses

The Group proactively identified and introduced quality VR technology and game content to the Group's new amusement rides and games, including "Zero Latency", which is a VR shooting game developed in Australia, and has been launched in Tokyo JOYPOLIS. The Group has also launched another VR shooting game named "Mortal Blitz", which was developed in the South Korea, in Shanghai JOYPOLIS and Qingdao JOYPOLIS.

During the year under review, the Group introduced a multi-players VR shooting game named "Tower Tag", which was developed in Germany and commercialised as a VR eSports shooting game. It was first launched in Tokyo JOYPOLIS in February 2018. Players of the game can be split in two teams, each accommodating one to three players, battling with each other. The Group exhibited this game in the International Cultural Industry Fairs (文博會) in Shenzhen, the PRC in May 2018 and the Animation-Comic-Game Hong Kong ("**ACGHK**") in Hong Kong, the PRC in July 2018.

In the view of the enthusiastic response in the market, the Group organised its first VR eSport competition, China Animation Cup (Hong Kong District) in the eSports & Music Festival, in August 2018 and has instantly gained attention from the eSports industry.

Besides introducing quality VR games from other countries, the Group also actively launched its own animation games. In September 2018, the Group launched its own VR eSports game named "Huang Yangjie Battle 黃洋界保衛戰". The background of this game is based on the history of one of the important battles of the PRC. The game allows players to experience game adventure, and at the same time, promotes national history and culture. The Group will launch eSports game in the cities of Jinggangshan, Yan'an and Shaoshan, the PRC. As of 31 March 2019, the Group has twelve animation games featuring "*Violet*" (紫嫣) and "*HanBaGui*" (憨八龜), including nine VR games, two mobile games and one online game via the Internet.

Financial Review

The following sets forth a summary of the performance of the Group for the year ended 31 March 2019 with comparative figures as follows:

	For the year ended 31 March	
	2019	2018
Revenue (HK$'000)	632,881	801,459
Gross profit (HK$'000)	158,676	222,336
Gross profit margin (%)	25.1	27.7
Profit attributable to owners of the Company (HK$'000)	58,372	20,790
Adjusted EBITDA (HK$'000)	202,471	161,342

Revenue

The revenue decreased by HK$168.6 million, or 21.0%, from HK$801.5 million for the year ended 31 March 2018 to HK$632.9 million for the year ended 31 March 2019. The decrease was primarily due to the decrease of HK$137.0 million of revenue from the sales of animation derivative products and HK$76.4 million of revenue from the operation of indoor theme parks even though there was an increase of HK$44.8 million of revenue from multimedia animation entertainment.

Sales of animation derivative products

The revenue from sales of animation derivative products decreased by 34.7% from HK$395.1 million for the year ended 31 March 2018 to HK$258.1 million for the year ended 31 March 2019 primarily due to that purchase orders placed by two major customers were decreased.

Establishment and operation of indoor theme parks

The revenue from establishment and operation of indoor theme parks decreased by 19.0% from HK$401.8 million for the year ended 31 March 2018 to HK$325.4 million for the year ended 31 March 2019.

The number of visitors based on ticket sales significantly decreased by 48.8% from 4.1 million for the year ended 31 March 2018 to 2.1 million for the year ended 31 March 2019.

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

	2019 '000	2018 '000
PRC	1,172	1,127
Japan	891	2,934

The decrease in revenue and visitors were primarily due to the close down of the Osaka JOYPOLIS in May 2018 and the decrease in the revenue from sales of animation amusement rides. A new indoor theme park, which is mainly equipped with VR games with gross floor area of about 370 sq. m., was opened in Shibuya in Tokyo, Japan in October 2018.

Financial Review (Continued)

Multimedia animation entertainment

The revenue from multimedia animation entertainment increased by HK$44.8 million, or 973.9%, from HK$4.6 million for the year ended 31 March 2018 to HK$49.4 million for the year ended 31 March 2019. The revenue from multimedia animation entertainment included income from licencing of animation characters, income for ticket sales for VR Game Centre, trading of VR gaming machines and event activities. The increase was primarily due to that licenced income was recognised upon licencing two animation characters during the year (2018: Nil).

Cost of sales and services

The cost of sales and services decreased by HK$104.9 million, or 18.1%, from HK$579.1 million for the year ended 31 March 2018 to HK$474.2 million for the year ended 31 March 2019. The decrease was in line with the decrease in the revenue of sales of animation derivative products and the operation of indoor theme parks.

Gross profit and gross profit margin

The Group's gross profit decreased by HK$63.6 million, or 28.6%, from HK$222.3 million for the year ended 31 March 2018 to HK$158.7 million for the year ended 31 March 2019. The Group's gross profit margin decreased from 27.7% for the year ended 31 March 2018 to 25.1% for the year ended 31 March 2019. The decrease in gross profit and gross profit margin were mainly due to the decrease in the business of sales of animation derivative products and establishment and operation of indoor theme park during the year ended 31 March 2019.

Other income

Other income increased by HK$1.5 million from HK$6.0 million for the year ended 31 March 2018 to HK$7.5 million for the year ended 31 March 2019. The increase was primarily due to insurance claim and compensation of HK$2.5 million for delay in the grant opening of Qingdao JOYPOLIS were recognised as income during the year (2018: Nil).

Other gains and losses

The Group recorded a significant gain of HK$78.7 million for the year ended 31 March 2019, compared to a loss of HK$31.8 million for the year ended 31 March 2018. This significant change was due to (i) the loss of HK$31.8 million in year ended 31 March 2018 was primarily due to a fair value loss of HK$30.2 million from held-for-trading investments, since the adoption of new accounting standard, the Group's held-for-trading investments were reclassified as financial assets at fair value through other comprehensive income and a fair value loss of HK$54.7 million was recognised for the year ended 31 March 2019; and (ii) the Group partially disposed the intangible assets of "Animal Conference on the Environment" (動物環境會議) and "Project Egg" (蛋計劃) during the year ended 31 March 2019 and the said disposal recognised a gain of HK$78.7 million.

Selling and distribution expenses

The selling and distribution expenses decreased by HK$17 million, or 42.7%, from HK$39.8 million for the year ended 31 March 2018 to HK$22.8 million for the year ended 31 March 2019. The Group's selling and distribution expenses as a percentage of revenue decreased from 5.0% for the year ended 31 March 2018 to 3.6% for the year ended 31 March 2019. The decreases were primarily due to the decrease in advertising and promotion expenses for JOYPOLIS.

Impairment loss on trade and other receivables

During the year under review, impairment loss of HK$10.6 million was recognised which including HK$7.2 million impairment on deposits due to the recoverability were remoted and HK$3.4 million of expected credit loss on trade receivable due to the adoption of new accounting standard.

Financial Review (Continued)

Research and development expenses

The research and development expenses increased by HK$0.2 million from HK$17.8 million for the year ended 31 March 2018 to HK$18.0 million for the year ended 31 March 2019. The increase was primarily due to that more resource was deployed in researching and developing new amusement rides and games for indoor theme parks.

Profit attributable to owners of the Company

The profit attributable to owners of the Company increased by HK$37.6 million, or 180.8%, from HK$20.8 million for the year ended 31 March 2018 to HK$58.4 million for the year ended 31 March 2019. The increase was primarily due to the Group partial disposed of the intangible assets rights of "Animal Conference on the Environment" (動物環境會議) and "Project Egg" (蛋計劃). A gain of HK$78.7 million was recognised during the year ended 31 March 2019.

Non-HKFRS measures

To supplement the result in this report which is presented in accordance with HKFRS, adjusted EBITDA are used as additional financial measures. The Group also believes that these non-HKFRS measures provide useful information to investors and others to understand and evaluate the Group's consolidated results for the purpose of comparing financial results across accounting periods and to those of our peer companies.

The following table sets forth the Group's non-HKFRS financial data for the years presented:

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Profit for the year	59,564	21,242
Interest income	(1,475)	(933)
Finance costs	55,363	27,581
Taxation	(14,843)	224
Depreciation	55,339	53,477
Amortisation	29,978	15,767
EBITDA	183,926	117,358
Loss on disposal of property, plant and equipment	3,673	1,578
Other Japanese tax expenses	2,051	3,304
Defined benefit plans loss	984	1,829
Fair value (gain) loss on obligation arising from a put option to a non-controlling interest	(301)	1,036
Loss on held-for-trading investments	–	30,190
Impairment loss for trade and other receivables, deposits and prepayments	10,614	–
Share-based payments expense	1,524	6,047
Adjusted EBITDA	202,471	161,342

Business Prospects

Prospects: IP Business, CA SEGA Theme Park, "5G • VR eSports" Well-positioned for Growth

In the future, "Being proactive and aggressive but not forgetting to maintain stable and healthy growth" will be the Group's management guidelines, with indoor theme park, super IP and "5G•VR eSports" as the Group's future key growth drivers.

CA SEGA Entertainment Park x Property Developers in the PRC, Asset-light Model to Enjoy Profit Share

The Group will use large playground equipment as foundation and VR experience as direction to provide research and development, conceptual planning, construction investment and operation management solutions, with stable development on its animation-derived products trading business as foundation. Its CA SEGA brand will continue to collaborate the property developers and government officials to focus on the Guangdong-Hong Kong-Macau Bay Area and the red cultural tourism areas. With its asset-light model, the Group will introduce CA SEGA Entertainment Park to the developer's property projects, to form complete industrial chain with upstream, middle and downstream segments. It will attract more quality cultural and creative start-up companies to station and leverage the commercial and investment value of the industry park, and thus the Group will be able to enjoy profit share.

Develops Nationwide and even World-classed Renowned IP to Contribute Continuous and Steady Profitability

As for super IP, the Group will cooperate with the international overseas animation group to cultivate and identify more quality IP to create synergy effects from the strategy alliance businesses to bring more sustainable and stable profitability to the Group. Moreover, the Group will proactively explore its VR and eSports businesses, together with media campaigns in both mainland China and overseas, the IP characters can enjoy higher commercial and investment value.

Announces "5G • VR eSports" and "Red VR eSports" Strategic Plan to Promote Business Synergy and Upgrade

The Group will continue to develop the new industry as the first mover to upgrade the Group's VR eSports game. The Group will adopt 5G technology in its dual online and offline strategy and implement its IP into VR eSports to draw market attention of the IP characters, and generate synergies with the animation-derived product business.

With the successful launch of VR eSport game "Huang Yangjie Battle (黃洋界保衛戰)", the Group will continue to develop VR games using red cultural tourism as theme, including collaborate with the national government and partners to launch these games in tourist areas in response to national cultural tourism industry development, at the same time, increase the popularity of the characters in the game to enhance marketing penetration.

Capital Structure, Liquidity and Financial Resources

As at 31 March 2019, the authorized 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$92.0 million divided into 920,062,000 shares of HK$0.1 each.

As at 31 March 2019, the cash and bank balances of the Group were HK$50.4 million (31 March 2018: HK$367.0 million). The decrease was mainly due to the investment in the development of indoor theme parks, by setting up numerous Wonder Forest and Joypolis in first-tier and second-tier cities in the PRC and investment in multimedia animation entertainment business.

As at 31 March 2019, the Group had a gearing ratio (calculate as secured bank borrowings and other borrowings, obligation under finance leases, guaranteed note and bonds, divided by total assets) of 32.5% (31 March 2018: 28.3%).

During the year ended 31 March 2019, the Company issued bonds in par in an aggregate principal amount of HK$106.4 million (31 March 2018 HK$193.0 million). The bonds are denominated in HK$ 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 3 to 7.5 years. The proceeds were mainly utilised for the development of indoor theme park business and as general working capital of the Group.

During the year ended 31 March 2019, the Company repaid principal amount of HK$60 million guaranteed note. The outstanding principal of HK$140 million has been renewed to mature on 26 September 2019 at a coupon rate of 9.5%. The interest on the guaranteed note is payable semi-annually in arrears and is denominated in HK$.

Treasury Policies

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the year ended 31 March 2019. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage the liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Final Dividend

The Board recommends the payment of a final cash dividend of 2.3 HK cents per share (2018: 2.3 HK cents per share) to the shareholders of the Company whose names appear on the register of members of the Company at the closure day of the register of members, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting. Further information on the closure date for the final cash dividend is disclosed under the section headed "Closure of The Register of Members".

Capital Commitments

As at 31 March 2019, capital commitments of the Group amounted to HK$8.2 million (31 March 2018: HK$10.9 million).

Significant Investments Held

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

In September 2016, the Group acquired the worldwide exclusive distribution right of VR game machine and application from an independent third party at a consideration of HK$30.0 million. In accordance with the agreement, the exclusive distribution right has an infinite useful life. The Directors are of the opinion that the useful life of the exclusive distribution right should be no more than 10 years based on the studies performed by the management of the Group on product life cycle, market, competitors and environmental trends.

Future Plans for Material Investments and Capital Assets

The Group will continue to develop the amusement parks in major cities in the PRC and the virtual reality technology projects including setting up partnerships with an independent third party for selling of VR equipment, development of VR game contents and VR eSports.

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 31 March 2019, a bank deposit of the Group with a carrying value of approximately HK$111.3 million (31 March 2018: HK$114.6 million) was pledged to a bank for banking facilities obtained.

Contingent Liabilities

The Group did not have significant contingent liabilities as at 31 March 2019 (31 March 2018: Nil).

Foreign Exchange Exposure

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

Environmental Policy

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

Employees and Remuneration Policies

As at 31 March 2019, the Group had 386 employees (31 March 2018: 478 employees). The decrease in number of staff was mainly due to optimising the staffing structure for JOYPOLIS during the year. For the year ended 31 March 2019, 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$114.6 million (31 March 2018: HK$126.9 million). The decrease was mainly attributable to the decrease of HK$7.6 million in employee remuneration and the decrease of HK$0.3 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 and employees of the Group in recognition of their contributions. On 29 February 2016, 21,455,400 options have been granted to the eligible Directors, employees and two consulting firms pursuant to the share option scheme adopted by the Company on 16 February 2015. During the year ended 31 March 2018, 8,582,160 options granted to a consulting firm were cancelled.

Purchase, Sale or Redemption of Securities

Save as the repayment of guaranteed note and the placing of bonds as disclosed under the section headed "Capital Structure, Liquidity and Financial Resources" in this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the year ended 31 March 2019.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. CHONG Heung Chung Jason (莊向松), aged 50, is our founder, our executive Director and our Chief Executive Officer. Mr. ZHUANG was appointed as an executive Director on 20 November 2014. Mr. ZHUANG is also the Chairman of our Board. Mr. CHONG is primarily responsible for conducting the business of our Group and formulation of business and strategic development of our Group. Mr. CHONG has approximately 22 years of experience in the toy industry. Prior to establishing our Group, Mr. CHONG, together with a business partner, started the toy sales business in July 1996 through the acquisition of all issued share capital of Sino Action as a shelf company. During the period between July 1996 and March 2008, Mr. CHONG was a shareholder of Sino Action holding 50.0% of its shares in issue. Mr. CHONG sold all his equity interest in Sino Action in March 2008 in order to focus on the business development of China Animation BVI.

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

Mr. CHONG was elected to serve as a representative of the People's Congress of Shenzhen City Committee (深圳市人民代表大會代表) from June 2015 to May 2020. Mr. CHONG has been the Vice President and Deputy Chairman of Shenzhen City Longgang District General Chamber of Commerce (Association of Industry and Commerce) (深圳市龍崗區總商會(工商聯)), the President and the Chairman of Shenzhen City Longgang District Longcheng Chamber of Commerce (Association of Industry and Commerce) (深圳市龍崗區龍城街道商會(工商聯)), the Vice President of Shenzhen City Longgang District Henggang Chamber of Commerce) (深圳市龍崗區橫崗商會), and the Enforcement Supervisor in the fourth term of the Municipal People's Procuratorate of Shenzhen City (深圳市人民檢院第四屆執法監督員). Mr. CHONG was appointed as the supervisor of the Buji Customs of Shenzhen (深圳布吉海關監督員) for the period between 1 September 2012 to 1 August 2014.

Mr. TING Ka Fai Jeffrey (丁家輝), aged 54, was appointed as an executive Director on 20 November 2014. Mr. TING is our Chief Operating Officer. Mr. TING joined our Group in January 2014, before which Mr. TING worked for Wah Shing during the period between 2008 and 2013 primarily on overseeing the production of the toy products by Wah Shing for Sino Action/China Animation BVI. Mr. TING is principally responsible for overseeing our daily business operations including the sales and the production activities and the implementation of our business plans. Mr. TING has approximately six years of experience in the merchandising industry. Before joining our Group and Wah Shing, Mr. TING was the deputy general manager with Tohki Enterprise Co., a furniture manufacturer, from 1 September 1992 to 31 July 1998. Mr. TING obtained the degree of bachelor of arts from the University of Western Australia in March 1991.

Ms. LIU Moxiang (劉茉香), aged 43, was appointed as an executive Director on 20 November 2014. Ms. LIU joined Shenzhen Wald in June 2012. Ms. LIU is principally responsible for implementing our business plans and strategies. Prior to joining our Group, Ms. LIU worked in sales team of エイメツクストレイディング (Aimex Trading Co., Ltd.*) from April 2004 to July 2005. From October 2005 to June 2007, Ms. LIU worked for Walita Toys and Gifts Co., Ltd., Shenzhen as an assistant to the senior executives. Ms. LIU was the executive manager of Shenzhen Huaxia between June 2007 and June 2012. Ms. LIU graduated from 九江學院 (Jiujiang University*) (formerly known as 九江財經高等專科學校 (Jiujiang College of Finance and Economics*)) in July 1999 on international business. From October 1999 to March 2001, Ms. LIU attended Kobe YMCA Japanese Language School in Japan. Ms. LIU studied business administration in Kobe Gakuin University, Graduate School of Economics, in Japan from April 2002 to March 2004 and received a master degree of arts in business administration.

Independent Non-Executive Directors

Mr. NI Zhenliang (倪振良), aged 72, was appointed as an independent non-executive Director on 20 November 2014. Mr. NI is currently the Chairman of the Hong Kong-Greater China Expert Calligraphy Association (香港大中華名家書畫會) and the Shenzhen Municipal Marketing Institute (深圳市市場學會) in the PRC. Mr. NI is also a member of the Federation of Hong Kong Writers (香港作家聯會) in Hong Kong.

In April 1974, Mr. NI worked at the PRC State Education Commission (中華人民共和國國務院科教組), an agency of the PRC State Council, as the supervisor and editor of《人民教育》, a publication of the State Education Commission, until 1993. The PRC State Education Commission was renamed as the PRC Ministry of Education in 1998.

From January 1994 to December 2003, Mr. NI held various senior positions in newspapers in Hong Kong and PRC, namely Deputy Editor-in-chief of the publication of "General Affairs in the Society of Democracy and Legal System" (《民主與法制》) in the PRC, President of the Elderly Chinese Newspaper Society (《中華老年報社》) in the PRC, Deputy Editor-in-chief of Ta Kung Pao (大公報) in Hong Kong and Editor-in-chief of the online version of Wen Wei Po (文匯報) in Hong Kong.

Mr. NI has also participated in a number of literary societies in the PRC. Mr. NI has been a council member of the Chinese Writers Association (中國作家協會) since 1988, the Chinese Jurists Society (中國法學會) since 1996, the Chinese Reportage Society (中國報告文學學會) since 1993, the Society of Chinese Literary Biography (中國傳記文學學會) since 1994, and the Association of Chinese Senior Professors (中國老教授協會) since 1994. In September 1993, Mr. NI was appointed as a professor by the Association of Chinese Senior Professors.

Mr. TSANG Wah Kwong (曾華光), aged 67, was appointed as an independent non-executive Director of the Company on 20 November 2014. He is also the chairman of the Audit Committee and a member of both the Remuneration Committee and Investment Committee of the Company. Mr. TSANG is a former partner of PricewaterhouseCoopers in Hong Kong and China and has over 30 years of experience in auditing and providing support for initial public offerings and acquisition transactions. Mr. TSANG received a bachelor's degree in business administration from the Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Chinese Institute of Certified Public Accountants and a fellow member of the Chartered Association of Certified Accountants.

Currently, Mr. TSANG is an independent non-executive director of the following companies listed on Hong Kong Stock Exchange: China Merchants China Direct Investments Limited (stock code: 133), Sihuan Pharmaceutical Holdings Group Ltd. (stock code: 460), TK Group (Holdings) Limited (stock code: 2283) and Ping An Securities Group (Holdings) Limited (stock code: 231). Mr. TSANG is an independent director of Agria Corporation (formerly listed on the New York Stock Exchange) from August 2011 to October 2017, a director of PGG Wrightson Limited (listed on the New Zealand Stock Exchange; stock code: PGW) from December 2014 to October 2017 and an non-executive director of PanAsialum Holdings Company Limited (stock code: 2078) from January 2013 to January 2016.

Mr. HUNG Muk Ming (洪木明), aged 54, was appointed as an independent non-executive Director on 20 November 2014.

Mr. HUNG has over 28 years of experience in auditing, finance and accounting. Since February 2017, Mr. HUNG has been the director of Hua Guan New Materials Company Limited (華冠新型材料股份有限公司), a subsidiary of Guangdong Mingcrown Group Limited (廣東名冠集團有限公司). Before that he was the group financial controller of Guangdong Mingcrown Group Limited (廣東名冠集團有限公司), a company engaging in construction, property development, hotels, steel production and ports businesses in Dongguan and Xinhui, the PRC. From October 2002 to January 2005, Mr. HUNG was the group financial controller of Hoi Meng Group (開明集團), a company engaging in garment design, manufacturing and export with production facilities in the PRC, Macau and Cambodia. From July 2001 to September 2002, Mr. HUNG worked as a finance manager of Hong Kong Exchanges and Clearing Limited (Stock code: 388), a company listed on the Stock Exchange. From November 1994 to July 2001, Mr. HUNG was the accounting manager of financial control department of Embry (H.K.) Limited. From August 1990 to November 1994, Mr. HUNG was promoted from accountant to senior accountant I of Price Waterhouse (now known as PricewaterhouseCoopers). Mr. HUNG is currently an independent non-executive director and chairman of the audit committee of Cinda International Holdings Ltd. (Stock code: 111), a company listed on the Stock Exchange, an independent non-executive director and chairman of the audit committee of Silver Grant International Industries Ltd. (Stock code: 171), a company listed on the Stock Exchange, an independent non-executive director and chairman of the audit committee of Century Sage Scientific Holdings Ltd. (Stock code: 1450), a company listed on the Stock Exchange, and an independent non-executive director, chairman of the audit committee and a member of nomination committee of IBO Technology Company Limited (Stock code: 2708), a company listed on the Stock Exchange. From September 2004 to February 2006, Mr. HUNG was the independent non-executive director and chairman of the audit committee of Rontex International Holdings Ltd. (Stock code: 1142), a company listed on the Stock Exchange.

Mr. HUNG received a bachelor's degree in social sciences with a major in economics, finance and accounting from the University of Hong Kong in December 1990. Mr. HUNG obtained a master's degree in corporate governance from Hong Kong Polytechnic University in October 2008. Mr. HUNG has been a Certified Tax Adviser since July 2010, a member of the Taxation Institute of Hong Kong since June 2010, a fellow member of the Hong Kong Institute of Directors since November 2009, associate of Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries & Administrators since February 2009, a fellow member of the Hong Kong Institute of Certified Public Accountants since July 2001, a fellow member of the Association of Chartered Certified Accountants since January 1999 and a Certified Public Accountant (Practising) of HKICPA since November 1994.

Honourable Chairman

Mr. Shinichiro IKEDA (池田愼一郎), aged 60, is our Honorable Chairman advising us on our overall business directions and the strategic planning. Mr. IKEDA was appointed as our Honourable Chairman on 16 February 2015. Mr. IKEDA has approximately 28 years of experience in the toy merchandising and animation design and production industries in Japan. Mr. IKEDA is the director of Banjihan Ace inc. (株式會社バンジハンエース), the chairman & CEO of IMA Group, the chairman of 株式會社ソル•インターナシヨナル (SOL International Inc.*), a company engaging in distribution of toy products in Japan, the president of 株式會社スタジオディーン (Studio Deen Inc.*), a company engaging in animation production and other related business activities, the director of 一般財團法人日本漫 畫事務局八月十五日の會 (Japanese Cartoon (manga) Office 8.15*), an general incorporated foundation run by comics artists in Japan, voluntarily actives for world peace, and the director of Suzhou Dean Animation Co., Ltd. (蘇州丹尼動畫有限公司).

Mr. IKEDA has been a director of Banjihan Ace since March 2007. Mr. IKEDA graduated from Dokkyo University, Japan with a bachelor's degree in law in March 1983.

Senior Management

Mr. WONG Yee Shuen Wilson (黃以信), aged 52, is our Chief Financial Officer. Mr. WONG joined us on 1 November 2014. Mr. WONG is responsible for the financial management and strategic planning of our Group. Mr. WONG is a fellow member of the Hong Kong Institute of Certified Public Accountants and member of Australia CPA and Australian Institute of Banking and Finance. With more than 22 years of experience in PricewaterhouseCoopers and Ernst and Young. He holds a master of commerce degree, specializing in banking and finance from the University of New South Wales. Mr. WONG specializes in the area of auditing banks and listed companies.

Mr. WONG is currently an independent non-executive director, chairman of audit committee and a member of the remuneration committee, nomination committee and corporate governance committee of PT International Development Corporation Limited (stock code: 372), a company listed on the Main Board of the Stock Exchange and an independent non-executive director and the chairman of audit committee of Softpower International Limited (stock code: 380), a company listed on the Main Board of the Stock Exchange.

Mr. LUK Sik Tat (陸適達), aged 44, is our finance manager and our company secretary. Mr. LUK joined us on 21 June 2012. Mr. LUK is responsible for the accounting and financial management of our Group. Mr. LUK has approximately 20 years of experience in accounting and finance. During the period between November 2008 and May 2012, Mr. LUK served as a supervisor in financial reporting with MIQ Logistics Hong Kong Limited, a provider of global, transportation and distribution services and a former subsidiary of YRC Worldwide, an assistant manager at Crowe Horwath (HK) CPA Limited (formerly known as CCIF CPA Limited) from November 2006 to November 2008, an audit senior at Wong Lam Leung & Kwok C.P.A. Limited from March 2004 to July 2006, an audit semi-senior and audit senior at K.W. Tam & Co. from September 2000 to January 2003 and from February 2003 to February 2004, respectively, an auditor II at K. L. Wong & Co. from April 1999 to May 2000 and an audit junior at Tai, Kong & Co. from June 1997 to December 1998.

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

Mr. ZHAN Zhengli (詹正禮), aged 48, is our production management and control manager. Mr. ZHAN joined us on 1 July 2012. Mr. ZHAN is responsible for product management and control of our Group. Mr ZHAN has relevant experience in production management. Before joining us, Mr. ZHAN worked at Wah Shing and was responsible for the operation of production systems during the period between May 2004 and June 2012.

From November 2000 to January 2003, Mr. ZHAN was the founder and production manager of OBANG Furniture Company Limited (歐邦家具有限公司). Mr. ZHAN graduated from 杭州大學 (Hangzhou University) with a bachelor's degree in business management in July 1990.

CORPORATE GOVERNANCE REPORT

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

Corporate Governance Code

The Company has complied with the principles and applicable code provisions ("**Code Provisions**") set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") except code provision A.2.1 as more particularly described in the following paragraphs during the year ended 31 March 2019.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 of the Listing Rule as its own conduct regarding securities transaction by Director of the Company. Having made specific enquiries with the directors of the Company ("**Directors**"), all Directors confirmed that they had complied with the required standard as set out in the Model Code throughout the year ended 31 March 2019.

Board of Directors

Composition

The Board comprises six Directors, including three executive Directors, Mr. CHONG Heung Chung Jason (the Chairman and Chief Executive Officer of the Company), Mr. TING Ka Fai Jeffrey (the Chief Operating Officer of the Company) and Ms. LIU Moxiang; and three independent non-executive Directors, Mr. NI Zhenliang, Mr. TSANG Wah Kwong and Mr. HUNG Muk Ming. There was no change in the composition of the Board during the year ended 31 March 2019. Biographical details of the Directors are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" of this annual report.

Responsibilities of the Board and Management

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

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

(a) To develop and review the Company's policies and practices on corporate governance;

(b) To review and monitor the training and continuous professional development of Directors and senior management;

(c) To review and monitor the Company's policies and practices to ensure compliance with legal and regulatory requirements;

(d) To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) To review the Company's compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules and its disclosure requirements in the Corporate Governance Report.

Board of Directors (Continued)

Responsibilities of the Board and Management (Continued)

During the year ended 31 March 2019, the Board had reviewed the Company's corporate governance policies and practices, training and continuing professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

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

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

The Board acknowledges its responsibility for the preparation of the financial statements which give a true and fair view of the state of financial position and financial performance of the Group. The financial statements set out on pages 52 to 125 were prepared on the basis set out in note 3 to the financial statements. Financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements. The declaration of reporting responsibility issued by the external auditors of the Company on the financial statements is set out in the Independent Auditors' Report on pages 47 to 51.

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

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

Continuous Professional Development

During the year ended 31 March 2019, all Directors have been given relevant guideline materials and attended training course and seminar regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group. Such induction materials and briefings will also be provided to newly appointed Directors shortly upon their appointment as Directors. Continuing briefings and professional development to Directors will be arranged whenever necessary.

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

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

Independent non-executive Directors

During the year ended 31 March 2019, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board and at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

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

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

Roles of Chairman and Chief Executive Officer

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

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

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

Appointment, Re-election and Removal of Directors

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

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

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

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

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

In accordance with the Articles and the Corporate Governance Code contained in Appendix 14 to the Listing Rules, Mr. CHONG Heung Chung Jason and Mr. NI Zhenliang will retire by rotation in accordance with Article 84 of the Articles. All retiring Directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Board Meetings

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

During the year ended 31 March 2019, the Board held five meetings. Due notice and board papers were given to all Directors prior to the board meetings in accordance with the CG Code.

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

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

Meetings Held During the Year Ended 31 March 2019

Details of the Directors' attendance at Board meetings and Board committee meetings, held during the year ended 31 March 2019 and the annual general meeting held on 24 August 2018 ("**AGM**") are set out as below:

	Attended/Eligible to attend				
	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	AGM
Number of Meetings Held	5	2	1	1	1
Executive Directors					
Mr. CHONG Heung Chung Jason	5/5	–	1/1	–	1/1
Mr. TING Ka Fai Jeffrey	5/5	–	–	1/1	1/1
Ms. LIU Moxiang	5/5	–	–	–	1/1
Independent Non-executive Directors					
Mr. NI Zhenliang	5/5	2/2	1/1	–	–/1
Mr. TSANG Wah Kwong	5/5	2/2	–	1/1	1/1
Mr. HUNG Muk Ming	5/5	2/2	1/1	1/1	1/1

Board Committees

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

Remuneration Committee

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

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

(a) To make recommendations to the Board on the Company's policy and structure for all directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(c) To make recommendations to the Board on the remuneration packages of individual executive directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment); and

(d) To make recommendations to the Board on the remuneration of non-executive directors.

During the year ended 31 March 2019, one Remuneration Committee meeting was held and there was no change in the policy and structure of the remuneration of the Directors and senior management. From the date onwards, the Remuneration Committee will meet at least once a year for reviewing the remuneration policy and structure and making recommendations to the Board on determining the annual remuneration packages of the executive Directors and the senior management and other related matters.

The remuneration package of executive Directors is determined by reference to their duties and responsibilities, experience and the prevailing market conditions. The remuneration package of individual executive Directors includes salary, discretionary bonus and share based payment. Details of the Directors' fee and other emoluments of the Directors of the Company are set out in note 11 to the financial statements.

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

Nomination Committee

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

Board Committees (Continued)

Nomination Committee (Continued)

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

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

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

(a) To review the structure, size and composition (board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board;

(c) To review the Board Diversity Policy, as appropriate, and disclose the Board Diversity Policy or its summary in the corporate governance report of the Company including the measurable objectives set for implementing the Board Diversity Policy and progress made towards achieving these measurable objectives;

(d) To assess the independence of independent non-executive directors; and

(e) make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive.

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

One Nomination Committee meeting was held during the year ended 31 March 2018. From the date onwards, the Nomination Committee will conduct meeting at least once a year.

Audit Committee

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

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

Board Committees (Continued)

Audit Committee (Continued)

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

(a) To make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) To monitor integrity of the Company's financial statements and to review significant financial reporting judgements contained in them;

(c) To review the Company's financial controls, internal control and risk management systems; and

(d) To discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system.

During the year ended 31 March 2019, two audit committee meetings were held.

As at the date of this annual report, the Audit Committee has considered and reviewed the accounting principles and practice adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management. The Audit Committee considers that the financial results for the year ended 31 March 2019 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

The Audit Committee held a meeting with the external auditors on 24 June 2019 to (i) review the consolidated financial statements for the year ended 31 March 2019; (ii) discuss the internal control and financial reporting matters of the Group; (iii) review the consolidated financial statements and the auditor's report and recommend to the board for approval. All members of the committee attended that meeting. From the date onwards, the Audit Committee will meet at least twice a year to review the financial results and reports, financial reporting and compliance procedures, the report of the internal auditor on the Company's internal control and risk management review and processes, and the re-appointment of the external auditor.

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

Investment Committee

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

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

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

(a) To consider the investment and business decisions of the Group;

(b) To make recommendations to our Board in respect of the major investment projects of the Group, such as the establishment of new JOYPOLIS in China; and

(c) To monitor the performance of the Group for compliance with the investment policies and guidelines.

During the year ended 31 March 2019, no investment committee meeting was held.

Auditor's Remuneration

The fees charged by the auditor generally depends on the scope and volume of the auditor's work. During the year ended 31 March 2019, the remuneration paid or payable to the Company's external auditor related to audit services and other non-audit services amounted to approximately HK$3,350,000 and HK$350,000 respectively.

Directors' Responsibilities for Financial Reporting

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

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

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

The relevant responsibility statement of the auditor of the Company with respect to the financial statements of the Group is set out in the Independent Auditor's Report on pages 50 and 51.

Going Concern

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

Risk management and Internal Control

Risk management

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

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

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

Risk management and Internal Control (Continued)

Risk management (Continued)

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

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

Internal Control

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

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

At the meeting of the Audit Committee held on 24 June 2019, the professional consulting firm reported their review work for the year ended 31 March 2019 performed in accordance with the detailed risk-based internal control review plan which was approved by the Audit Committee. The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's internal control systems for the year ended 31 March 2019. The Audit Committee members, together with the senior management, have also reviewed, considered and discussed all findings relating to the internal control systems and recommendations for improvement.

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

Company Secretary

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

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

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

For the year ended 31 March 2019, the company secretary complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

Shareholders' Rights

Right to Convene an Extraordinary General Meeting

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

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

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, namely, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or the principal place of business of the Company in Hong Kong at Suites 2808-2811, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong. Shareholders who wish to put enquiries to the Board can send their enquiries to the Company Secretary who will ensure these enquiries to be properly directed to the Board. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Corporate communication of the Company will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

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

Communications with Shareholders

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

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

Disclosure of Information

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

Communications with Shareholders (Continued)

General Meetings

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

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

Voting by Poll

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

Investor Relations

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

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

Constitutional Documents

There was no significant change in the Company's constitutional documents during the year ended 31 March 2019 and up to the date of this annual report.

The directors (the "**Directors**") of the Company are pleased to present their annual report together with the audited financial statements for the year ended 31 March 2019.

Principal Activities

The principal activity of the Company is investment holding and those of the principal subsidiaries are set forth in Note 48 to the consolidated financial statements.

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

Use of Proceeds From the Global Offering

The Company has received net proceeds of approximately HK$298.6 million after deducting the underwriting fee and commissions and relevant expenses in connection with the global offering on 12 March 2015. As of 31 March 2019, approximately HK$248.4 million of the net proceeds had been used by the Group. The unutilised proceeds were deposited with licensed bank in Hong Kong. Set forth below is a summary of the utilisation of the net proceeds:

	Original planned allocation of net proceeds from the Global Offering		Actual utilised as of 31 March 2019	Unutilised as of 31 March 2019
	%	HK$ million	HK$ million	HK$ million
For contribution for the capital expenditure and the working capital for Shanghai *JOYPOLIS* and for use in planning the next *JOYPOLIS*	40.0	119.4	119.4	–
For possible investment in, acquisition of, and/or formation of strategic cooperation with, domestic or international companies which operate animation-related businesses, including without limitation, animation-related event organisers, mobile and internet applications developers and animation-related multi-media platforms, subject to the approval of the investment committee of the Board	30.0	89.6	42.0	47.6
For the development, production and technical enhancement of music animation concerts and the related promotional and marketing activities and the development of consignment sales business	20.0	59.7	57.1	2.6
For working capital and general corporate purposes	10.0	29.9	29.9	–
Total	**100.0**	**298.6**	**248.4**	**50.2**

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

Results and Appropriations

The financial performance of the Group for the year ended 31 March 2019 and the financial position of the Group as of 31 March 2019 are set forth in the consolidated financial statements on pages 52 and 53.

Five Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set forth on page 126. This summary does not form part of the consolidated financial statements.

Reserves

Details of the movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 54 of this annual report and Note 49 to the consolidated financial statements, respectively.

Distributable Reserves

Pursuant to the relevant rules of the Cayman Islands, calculated with the Companies Law of the Cayman Islands, the Company's distributable reserves as of 31 March 2019 amounted to approximately HK$866 million.

Property, Plant and Equipment

Details of the movements in properties, plant and equipment of the Group are set forth in Note 14 to the consolidated financial statements.

Share Capital

Details of the authorised and issued share capital of the Company are set forth in Note 39 to the consolidated financial statements.

Subsidiaries

Details of the major subsidiaries of the Company are set forth in Note 48 to the consolidated financial statements.

Purchase, Sale or Redemption of the Company's Securities

The Company has not redeemed any of its shares during the year. During the year ended 31 March 2019, neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the Company's listed securities during the year.

Share Option Scheme

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

Details of the Company's share option scheme are set out in Note 47 to the consolidated financial statements and the principal terms of the share option scheme are extracted as follows:

Purpose

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

Share Option Scheme (Continued)

Who may join

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

(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group ("**Executive**"), any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group ("**Employee**");

(b) a director or proposed director (including an independent non-executive director) of any member of the Group;

(c) a direct or indirect shareholder of any member of the Group;

(d) a supplier of goods or services to any member of the Group;

(e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;

(f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and

(g) an associate of any of the persons referred to in paragraphs (a) to (c) above.

(the persons referred above are the "**Eligible Persons**")

Maximum number of Shares

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

(a) The Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not exceed 10 per cent. of our Shares in issue as of the date of approval by Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. The Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules.

(b) The Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by the Company before such approval is obtained. The Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules.

(c) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Group shall not exceed 30% of the Company's issued share capital from time to time. No options may be granted under the Share Option Scheme and any other share option scheme of the Company if this will result in such limit being exceeded.

Share Option Scheme (Continued)

Maximum number of Options to each participant

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

Offer and grant of Options

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

Restriction on the time of grant of Options

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

Minimum holding period, vesting and performance target

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

Share Option Scheme (Continued)

Subscription price

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

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the 5 business days (as defined in the Listing Rules) immediately preceding the offer date.

Exercise of Options

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

(ii) The exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.

(iii) The exercise of any Option shall be subject to the members of the Company in general meeting approving any necessary increase in the authorized share capital of the Company.

Life of Share Option Scheme

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

Transferability of Options

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

Directors' Right to Acquire Shares or Debentures

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

Directors

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

Executive Directors

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

Independent Non-Executive Directors

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

In accordance with the Articles and the Corporate Governance Code contained in Appendix 14 to the Listing Rules, Mr. CHONG Heung Chung Jason and Mr. NI Zhenliang will retire by rotation in accordance with Article 84 of the Articles. All retiring Directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Confirmation of Independence of Independent Non-Executive Directors

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

Biographical Details of Directors and Senior Management

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

Directors' Service Contract

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

Directors' Interests in Contracts of Significance

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

Controlling Shareholders' Interests in Contracts of Significance

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

Related Party Transactions

Details of the related party transactions of the Group for the year ended 31 March 2019 are set forth in Note 46 to the consolidated financial statements of this annual report.

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

Directors' Interests in Competing Business

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

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

As of 31 March 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were set forth below:

Long positions in the shares and underlying share of the Company

Name of Directors	Capacity/nature of interest	Name of the controlled corporations	Name of Company	Number of shares	Approximate percentage of shares in issue
CHONG Heung Chung Jason	Interest of controlled corporation (Note 1)	Bright Rise Enterprises Limited	Company	379,486,000 (L)	41.25%
	Interest in persons acting in concert (Note 2)	–	Company	509,485,000 (L)	55.38%
	Spouse interest (Note 3)	–	Company	509,485,000 (L)	55.38%
TING Ka Fai Jeffrey	Interest of controlled corporation (Note 4)	Bonville Glory Limited	Company	12,900,000 (L)	1.40%
	Interest in persons acting in concert (Note 2)	–	Company	509,485,000 (L)	55.38%

Notes:

1. All issued shares of Bright Rise Enterprises Limited are held by Newgate (PTC) Limited. Newgate (PTC) Limited is a company incorporated in the BVI on 12 September 2014 and acts as the trustee of the trust created in the Cayman Islands by Mr. CHONG Heung Chung Jason on 18 November 2014, namely The Fortune Trust. The beneficiaries of The Fortune Trust currently include Mr. CHONG Heung Chung Jason and his family members.

2. Pursuant to a concert party agreement, Mr. CHONG Heung Chung Jason, Bright Rise Enterprises Limited, Mr. TING Ka Fai Jeffrey, Bonville Glory Limited, Ms. LEE Sui Fong Fiona, Fortress Strength Limited, Mr. Shinichiro IKEDA, Dragon Year Group Limited, Ms. OR Den Fung Bonnie and East Jumbo Development Limited have agreed with certain arrangements pertaining to their shareholding. Further information on the terms and conditions of the concert party agreement is set forth in the section headed "Controlling Shareholders and Substantial Shareholders-Summary of the Concert Party Agreement" in the Prospectus.

3. Ms. LEE Sui Fong Fiona is the spouse of Mr. CHONG Heung Chung Jason. Mr. CHONG Heung Chung Jason is deemed to be interested in our shares interested by Ms. LEE Sui Fong Fiona under the SFO.

4. All issued shares of Bonville Glory Limited are held by Mr. TING Ka Fai Jeffrey.

Save as disclosed above, as at 31 March 2019, none of the Directors or chief executive or their respective associates had any interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders

As of 31 March 2019, the following persons or corporations, other than the Directors or chief executive of the Company, had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

	Name of Shareholders	Capacity	Number of Shares	Shareholding percentage of shares in issue (%)
Long position	Bright Rise Enterprises Limited	Beneficial owner	379,486,000	41.25
		Interest in persons acting in concert[1]	509,485,000	55.38
	Newgate (PTC) Limited as trustee of The Fortune Trust created by Mr. CHONG Heung Chung Jason	Interest in a controlled corporation[2]	379,486,000	41.25
		Interest in persons acting in concert[1]	509,485,000	55.38
	Mr. CHONG, Ms. LEE Sui Fong Fiona and their children, being the beneficiaries of The Fortune Trust	Interest in a controlled corporation[2]	379,486,000	41.25
		Interest in persons acting in concert[1]	509,485,000	55.38
	Fortress Strength Limited	Beneficial owner	29,411,000	3.20
		Interest in persons acting in concert[1]	509,485,000	55.38
	Ms. LEE Sui Fong Fiona	Interest in a controlled corporation[3]	29,411,000	3.20
		Interest in persons acting in concert[1]	509,485,000	55.38
		Spouse interest[4]	509,485,000	55.38
	Dragon Year Group Limited	Beneficial owner	50,280,000	5.46
		Interest in persons acting in concert[1]	509,485,000	55.38
	Mr. Shinichiro IKEDA	Interest in a controlled corporation[5]	50,280,000	5.46
		Personal interest	12,000,000	1.30
		Interest in persons acting in concert[1]	509,485,000	55.38

Substantial Shareholders (Continued)

	Name of Shareholders	Capacity	Number of Shares	Shareholding percentage of shares in issue (%)
	Bonville Glory Limited	Beneficial owner	12,900,000	1.40
		Interest in persons acting in concert(1)	509,485,000	55.38
	Mr. TING Ka Fai Jeffrey	Interest in a controlled corporation(6)	12,900,000	1.40
		Interest in persons acting in concert(1)	509,485,000	55.38
	East Jumbo Development Limited	Beneficial owner	25,408,000	2.76
		Interest in persons acting in concert(1)	509,485,000	55.38
	Ms. OR Den Fung Bonnie	Interest in a controlled corporation(7)	25,408,000	2.76
		Interest in persons acting in concert(1)	509,485,000	55.38
Short position	Nil	Nil	Nil	Nil

Notes:

(1) Pursuant to a concert party agreement, Mr. CHONG Heung Chung Jason, Bright Rise Enterprises Limited, Mr. TING Ka Fai Jeffrey, Bonville Glory Limited, Ms. LEE Sui Fong Fiona, Fortress Strength Limited, Mr. Shinichiro IKEDA, Dragon Year Group Limited, Ms. OR Den Fung Bonnie and East Jumbo Development Limited have agreed with certain arrangements pertaining to their shareholding. Further information on the terms and conditions of the concert party agreement is set forth in the section headed "Controlling Shareholders and Substantial Shareholders-Summary of Concert Party Agreement" in the Prospectus.

(2) Newgate (PTC) Limited is the sole shareholder of Bright Rise Enterprises Limited and it holds all the shares of Bright Rise Enterprises Limited in its capacity as the trustee of The Fortune Trust created by Mr. CHONG Heung Chung Jason in the Cayman Islands. The beneficiaries of The Fortune Trust currently include Mr. CHONG Heung Chung Jason and his family member. Bright Rise Enterprises Limited is the registered and beneficial owner of 379,486,000 Shares.

(3) Ms. LEE Sui Fong Fiona is the sole beneficial owner of all issued shares of Fortress Strength Limited which is the registered and beneficial owner of 29,411,000 Shares.

(4) Ms. LEE Sui Fong Fiona is the spouse of Mr. CHONG Heung Chung Jason and she is deemed to be interested in our shares interested by Mr. CHONG Heung Chung Jason under the SFO.

(5) Mr. Shinichiro IKEDA is the sole beneficial owner of all issued shares of Dragon Year Group Limited which is the registered and beneficial owner of 50,280,000 shares of the Company.

(6) Mr. TING Ka Fai Jeffrey is the sole beneficial owner of all issued shares of Bonville Glory Limited which is the registered and beneficial owner of 12,900,000 shares of the Company.

(7) Ms. OR Den Fung Bonnie is the sole beneficial owner of all issued shares of East Jumbo Development Limited which is the registered and beneficial owner of 25,408,000 shares of the Company.

Substantial Shareholders (Continued)

Save as disclosed above, as of 31 March 2019, the Directors were not aware of any persons or corporations, other than the Directors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Deed of Non-Competition

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

The Company has received an annual written confirmation from each of the executive Directors and the Controlling Shareholders in respect of the compliance with the Deed of Non-Competition for the year ended 31 March 2019.

Based on the information and confirmation provided by or obtained from each of the executive Directors and the Controlling Shareholders, all the independent non-executive directors reviewed the compliance conditions in respect of the Deed of Non-Competition for the year ended 31 March 2019 and believed that each of the executive Directors and the Controlling Shareholders had fully complied with the Deed of Non-Competition.

Continuing Connected Transaction

On 31 December 2016, Sega Holdings Co., Ltd. ("**SEGA Holdings**") and CA Sega Joypolis Ltd. ("**CA Sega**", formerly known as Sega Live Creation Inc.) entered into a trademark licence agreement pursuant to which SEGA Holdings (as licensor) agreed to grant to CA Sega a non-transferable and non-exclusive right to use and sublicense certain registered trademarks owned by SEGA Holdings for a term commencing from 1 January 2017 for an initial period of five years. The trademark licence agreement may be renewed for another five years subject to negotiations and agreements between the parties after expiry of the original term in full compliance with the applicable requirements under the Listing Rules. The annual caps, being the maximum aggregate amount of royalties payable by CA Sega to SEGA Holdings under the trademark licence agreement is JPY133,551,000 (equivalent to HK$8,856,000) for the year ended 31 March 2019. The aggregate amount of royalties payable by CA Sega to SEGA Holdings amount to JPY42,839,000 (equivalent to HK$3,093,000) for the year ended 31 March 2019.

Continuing Connected Transaction (Continued)

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

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

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

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor had issued an unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with rule 14A.56 of the Listing Rules. The auditor of the Company has also confirmed to the Board in writing that the above continuing connected transaction for the year ended 31 March 2019 (i) has received the approval of the Board; (ii) has been entered into in accordance with the relevant pricing policies of the Group; (iii) has been entered into in accordance with the relevant agreement governing the transaction; and (iv) has not exceeded the annual cap disclosed in the Company's announcement dated 3 January 2017. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Exempt Continuing Connected Transactions

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

Lease of premises

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

Exempted Continuing Connected Transactions (Continued)

Lease of Premises (Continued)

The table below sets forth (1) the term of the lease agreements entered into between us and Mr. CHONG and (2) the annual rent paid by us to Mr. CHONG for the year ended 31 March 2019:

Lessor	Lessee	Date of lease	Term	Properties	Usage	Gross floor area (m^2)	Annual rental (RMB'000)	Historical transaction amount Year ended 31 March 2019	2018
Mr. CHONG	Shenzhen Wald	1 April 2016	1 April 2016 to 31 March 2019	1st, 2nd, 3rd and 5th Floor of Building No. 9 China Animation Creative Industry Park Youyi Road Longcheng Street Longgang District Shenzhen PRC	Offices and research and development centre	8,022	1,155	(RMB'000) 1,112.7 (HK$'000) 1,344.7	1,113.9(1) 1,325.0
Mr. CHONG	Shenzhen Wald	13 February 2016	13 February 2016 to 12 February 2019	1st, 2nd, 3rd and 5th Floor of Building No. 10, China Animation Creative Industry Park Youyi Road Longcheng Street Longgang District Shenzhen PRC	Offices and research and development centre	5,400	777.6	(RMB'000) 740.6 (HK$'000) 895.0	749.8(1) 892.0
Mr. CHONG	Shenzhen Huacheng	26 March 2018	1 April 2018 to 31 March 2022	3rd Floor of Building No. 5 China Animation Creative Industry Park Youyi Road Longcheng Street Longgang District Shenzhen PRC	Offices and warehouse	1,020	146.8	(RMB'000) 146.8 (HK$'000) 177.5	– –
							Total:	**(RMB'000) 2,000.1**	**1,863.7**
							Total:	**(HK$'000) 2,417**	**2,217**

Note:

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

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

* *For identification purpose only*

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

Exempted Continuing Connected Transactions (Continued)

Lease of a motor vehicle

We lease a motor vehicle from Mr. CHONG. The annual rent payable to Mr. CHONG for the year ended 31 March 2019 was HK$0.17 million. The Directors anticipate that the amount of annual rent payable under the lease of motor vehicle will fall within the de minimis threshold set forth in Rule 14A.76 of the Listing Rules. As such, the transaction is exempted from the reporting, announcement requirements and the independent Shareholders' approval requirements. The Directors, including the independent non-executive Directors, confirm that the lease of motor vehicle is entered into on normal commercial terms and in the interests of the Shareholders as a whole.

Management Contracts

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

Major Customers and Suppliers

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

Purchases

– the largest supplier	100.00%
– five largest suppliers combined	100.00%

Sales

– the largest customer	23.25%
– five largest customers combined	43.95%

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

Corporate Governance Code

Details of the Group's compliance with corporate governance code of the Company are set forth in the "CORPORATE GOVERNANCE REPORT" on pages 22 to 32 in this annual report.

Audit Committee

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

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

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

Tax Relief and Exemption

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

Pre-emptive Rights

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

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float required under the Listing Rules for the year ended 31 March 2019 and up to the date of this report.

Permitted Indemnity Provision

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

Closure of the Register of Members

To determine the eligibility of the shareholders of the Company to attend the annual general meeting to be held on 28 August 2019, the register of members will be closed from 23 August 2019 to 28 August 2019, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 22 August 2019.

To determine entitlement to the proposed final cash dividend (subject to the passing of an ordinary resolution by the shareholders of the Company at the annual general meeting), the register of members of the Company will be closed from 3 September 2019 to 5 September 2019, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 2 September 2019.

Annual General Meeting

The annual general meeting will be held on 28 August 2019. Shareholders should refer to details regarding the annual general meeting in the circular of the Company and the notice of meeting and form of proxy accompanying thereto.

Auditor

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

By Order of the Board

Chong Heung Chung Jason
Chairman

KTC Partners CPA Limited
Certified Public Accountants (Practising)
和信會計師事務所有限公司

TO THE MEMBERS OF CHINA ANIMATION CHARACTERS COMPANY LIMITED
華夏動漫形象有限公司
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of China Animation Characters Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 52 to 125, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters (Continued)

Provision for expected credit losses ("ECL") of trade receivables

Refer to Note 24 to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
As at 31 March 2019, the Group had gross trade receivables of approximately HK$299,264,000 (2018: HK$450,626,000) and provision for impairment of approximately HK$3,405,000 (2018: Nil). ECL for trade receivables are based on management's estimate of the lifetime ECL to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgment. We have identified ECL assessment of trade receivables as a key audit matter because assessing ECL of trade receivables is a subjective area as it requires the management's judgment and uses of estimates.	Our procedures in relation to management's ECL assessment on trade receivables included: • Reviewing and assessing the application of the Group's policy for calculating the ECL; • Evaluating techniques and methodology adopted by the management in the ECL model against the requirements of HKFRS 9; • Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances; • Inquiring management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; • Evaluating the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimation of ECL; and • Checking, on a sample basis, the ageing profile of the trade receivables as at 31 March 2019 to the underlying financial records and post year-end settlement to bank receipts.

Key Audit Matters (Continued)

Impairment assessment of non-current assets relating to CA Sega Joypolis Limited and its subsidiary (collectively referred to as the "CA Sega Group")

Refer to Note 18 to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
As at 31 March 2019, the carrying amounts of goodwill, property, plant and equipment and intangible assets relating to CA Sega Group, being a group of cash generating units engaged in establishment and operation of indoor theme parks, were approximately HK$2,472,000, HK$171,448,000 and HK$15,548,000 respectively. We have identified the impairment of these non-current assets belonging to the CA Sega Group as a key audit matter because of their significance to the consolidated financial statements and the involvement of a significant degree of judgements and high estimation uncertainty made by the management for the profit forecasts and cash flows projections for the value-in-use calculations. Based on the management's assessment, no impairment was recognised on these non-current assets belonging to the CA Sega Group.	Our procedures in relation to the impairment assessment of the non-current assets belonging to CA Sega Group included: • Evaluating the appropriateness of the key assumptions in the cash flow projections and the discounted cash flow model, including the discount rate, growth rate, budgeted sales and gross margin, by discussing with the management and with reference to our understanding of the industry.

Other Information

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

KTC Partners CPA Limited
Certified Public Accountants (Practising)

Chow Yiu Wah, Joseph
Audit Engagement Director
Practising Certificate Number P04686

Hong Kong, 26 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	632,881	801,459
Cost of sales and services		(474,205)	(579,123)
Gross profit		158,676	222,336
Other income	6	7,515	6,047
Other gains and losses	7	78,650	(31,878)
Selling and distribution expenses		(22,840)	(39,778)
Administrative expenses		(93,129)	(88,937)
Research and development expenses		(17,986)	(17,843)
Share of result of an associate	19	–	(25)
Finance costs	8	(55,363)	(27,581)
Impairment loss on trade and other receivables		(10,614)	–
Other expenses		(188)	(875)
Profit before taxation		44,721	21,466
Taxation	9	14,843	(224)
Profit for the year	10	59,564	21,242
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit plans		838	690
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of:			
– subsidiaries		(10,485)	15,233
– associate		(451)	603
Fair value gain on available-for-sale investments		–	670
Fair value loss on financial assets at fair value through other comprehensive income		(54,654)	–
Other comprehensive (expense) income for the year		(64,752)	17,196
Total comprehensive (expense) income for the year		(5,188)	38,438
Profit for the year attributable to:			
Owners of the Company		58,372	20,790
Non-controlling interests		1,192	452
		59,564	21,242
Total comprehensive (expense) income attributable to:			
Owners of the Company		(9,101)	35,769
Non-controlling interests		3,913	2,669
		(5,188)	38,438
Earnings per share	13		
– Basic (HK$)		0.06	0.02
– Diluted (HK$)		N/A	0.02

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	14	280,752	263,333
Prepaid lease payments	15	9,261	10,318
Goodwill	16	2,472	2,569
Intangible assets	17	177,996	77,031
Interest in an associate	19	5,813	6,223
Available-for-sale investments	20	–	35,603
Financial assets at fair value through other comprehensive income	20	107,900	–
Deposits for acquisition of property, plant and equipment		547,637	213,615
Deposit for acquisition of long term investment	21	5,359	5,359
Prepayment to a game developer		20,400	7,850
Rental deposits		18,172	17,860
Pledged bank deposit	22	14,589	14,996
		1,190,351	654,757
Current assets			
Inventories	23	723	768
Trade receivables	24	295,859	450,626
Other receivables, deposits and prepayments		33,992	45,583
Amount due from a director	25	2,408	–
Prepaid lease payments	15	587	117
Held-for-trading investments	20	–	46,173
Financial assets at fair value through profit or loss	26	3,903	–
Pledged bank deposits	22	96,664	99,584
Bank balances and cash	27	50,387	366,970
		484,523	1,009,821
Current liabilities			
Trade and notes payables	28	7,221	18,155
Other payables and accruals	29	55,900	82,849
Contract liabilities	30	26,590	–
Provision for reinstatement costs for rented premises	31	–	9,275
Tax payable		107,620	124,099
Guaranteed note	32	138,957	196,773
Obligation under finance leases	33	5,905	–
Secured bank borrowings and other borrowings	34	113,645	116,091
		455,838	547,242
Net current assets		28,685	462,579
Total assets less current liabilities		1,219,036	1,117,336
Non-current liabilities			
Bonds	35	257,528	158,449
Secured bank borrowings and other borrowings	34	14,160	–
Obligation under finance leases	33	13,845	–
Long term other payables		1,182	–
Deferred tax liabilities	36	3,602	5,201
Retirement benefit obligations	37	192	1,580
Provision for reinstatement costs for rented premises	31	31,945	32,212
Obligation arising from a put option to a non-controlling interest	38	7,507	7,913
Put option derivatives	38	440	335
		330,401	205,690
Net assets		888,635	911,646
Capital and reserves			
Share capital	39	92,006	92,006
Reserves		790,238	818,976
Equity attributable to owners of the Company		882,244	910,982
Non-controlling interests		6,391	664
Total equity		888,635	911,646

The consolidated financial statements on pages 52 to 125 were approved and authorised for issue by the board of directors on 26 June 2019 and are signed on its behalf by:

Chong Heung Chung Jason
DIRECTOR

Ting Ka Fai Jeffrey
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	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$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2017	92,006	578,726	(132)	–	12,998	168	288,126	971,892	24,851	996,743
Profit for the year	–	–	–	–	–	–	20,790	20,790	452	21,242
Exchange differences arising on translation of foreign subsidiaries	–	–	13,722	–	–	–	–	13,722	2,114	15,836
Fair value gain on available-for-sale investments	–	–	–	670	–	–	–	670	–	670
Remeasurement of defined benefit plans	–	–	–	–	–	587	–	587	103	690
Total comprehensive income for the year	–	–	13,722	670	–	587	20,790	35,769	2,669	38,438
Deemed acquisition of a subsidiary	–	–	–	–	–	–	–	–	1,870	1,870
Acquisition of additional interest in a subsidiary (Note 40)	–	–	1,025	–	–	(98,274)	4,996	(92,253)	(28,726)	(120,979)
Dividend recognised as distribution (Note 12)	–	–	–	–	–	–	(18,401)	(18,401)	–	(18,401)
Recognition of equity-settled share-based payments	–	–	–	–	6,047	–	–	6,047	–	6,047
Transfers to retained profits	–	–	–	–	(8,374)	–	8,374	–	–	–
Deemed contribution from a shareholder (note)	–	–	–	–	–	7,928	–	7,928	–	7,928
At 31 March 2018	92,006	578,726	14,615	670	10,671	(89,591)	303,885	910,982	664	911,646
Profit for the year	–	–	–	–	–	–	58,372	58,372	1,192	59,564
Exchange differences arising on translation of foreign subsidiaries	–	–	(13,532)	–	–	–	–	(13,532)	2,596	(10,936)
Fair value loss on financial assets at fair value through other comprehensive income	–	–	–	(54,654)	–	–	–	(54,654)	–	(54,654)
Remeasurement of defined benefit plans	–	–	–	–	–	713	–	713	125	838
Total comprehensive expense for the year	–	–	(13,532)	(54,654)	–	713	58,372	(9,101)	3,913	(5,188)
Dividend recognised as distribution (Note 12)	–	–	–	–	–	–	(21,161)	(21,161)	–	(21,161)
Recognition of equity-settled share-based payments	–	–	–	–	1,524	–	–	1,524	–	1,524
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	1,814	1,814
At 31 March 2019	92,006	578,726	1,083	(53,984)	12,195	(88,878)	341,096	882,244	6,391	888,635

Note: Amount represents deemed contribution from a shareholder in relation to a waiver of amount due to a director, who is also the ultimate controlling shareholder of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		44,721	21,466
Adjustments for:			
Amortisation of intangible assets		29,978	15,767
Defined benefit plans loss		984	1,829
Depreciation of property, plant and equipment		55,339	53,477
Finance costs		55,363	27,581
Net (gain) loss on a put option to a non-controlling interest		(301)	1,036
Loss on held-for-trading investments		–	30,190
Interest income		(1,475)	(933)
Loss on disposal of property, plant and equipment		3,673	1,578
Gain on disposal of intangible assets		(78,655)	–
Provision recognised for reinstatement costs for rented premises		977	156
Gain on fair value changes of financial assets at fair value through profit or loss		(62)	–
Share-based payments expense		1,524	6,047
Share of result of an associate		–	25
Release of prepaid lease payments		587	49
Provision for impairment loss of trade and other receivables		10,614	–
Operating cash flows before movements in working capital		123,267	158,268
(Increase) decrease in inventories		(6)	7,522
Decrease in trade receivables		150,163	127,055
Decrease (increase) in other receivables, deposits and prepayments		3,258	(6,082)
Increase in held-for-trading investments		–	(9,443)
Decrease in trade and notes payables		(10,942)	(14,222)
Decrease in other payables and accruals		(29,057)	(15,623)
Increase in contract liabilities		18,886	–
CASH FROM OPERATIONS		255,569	247,475
Income tax paid		(3,589)	–
NET CASH FROM OPERATING ACTIVITIES		251,980	247,475
INVESTING ACTIVITIES			
Deposits paid for and purchase of property, plant and equipment		(405,284)	(62,160)
Purchase of available-for-sale investments		–	(34,933)
Placement of pledged bank deposits		–	(19,316)
Payments for prepaid lease payments		–	(10,484)
Payment for prepayment to a game developer		(12,850)	–
Placement of time deposits		(111,253)	(7,250)
Purchase of intangible assets		(133,800)	(5,438)
Proceeds on redemption of held-to-maturity investment		–	13,756
Purchase of financial assets at fair value through profit or loss		(4,402)	–
Proceeds of redemption of financial assets at fair value through profit or loss		423	–
Withdrawal of time deposits		114,580	7,250
Interest received		1,475	933
Proceeds on disposal of property, plant and equipment		6,422	130
Advance to a director		(7,746)	–
Repayment from a director		5,253	–
NET CASH USED IN INVESTING ACTIVITIES		(547,182)	(117,512)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
FINANCING ACTIVITIES			
Proceeds from guaranteed note issuance, net of issue expenses		–	193,579
Proceeds from bonds issuance, net of issue expenses		85,113	153,384
New other borrowings raised		14,440	24,311
New bank borrowings raised		2,166	24,000
Advances from a director		–	16,846
Acquisition of additional equity interests from non-controlling interests	40	–	(120,979)
Repayment to a non-controlling interest of a subsidiary		–	(26,958)
Repayment of bank loans		(4,570)	–
Repayment to a director		–	(26,301)
Repayment of other borrowings		–	(25,760)
Interest paid		(33,271)	(13,046)
Dividends paid		(21,161)	(18,401)
Repayment of guaranteed note		(62,108)	–
Repayment of bank borrowings		–	(3,667)
Repayment of obligation under finance leases		(1,907)	–
Capital contribution from non-controlling interest		1,814	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(19,484)	177,008
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(314,686)	306,971
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		366,970	58,217
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES		(1,897)	1,782
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH		50,387	366,970

1. Corporate Information

China Animation Characters Company Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on 25 September 2013 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its parent and ultimate holding company is Bright Rise Enterprises Limited ("**Bright Rise**"), a private company incorporated in the British Virgin Islands. Its ultimate controlling shareholder is Mr. Chong Heung Chung Jason (the "**Controlling Shareholder**"). The registered office of the Company is at Cricket Square, Hutchins Drive, PO BOX 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is Suites 2808-2811, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong Special Administrative Region, the People's Republic of China (the "**PRC**").

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

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following HKFRSs and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, Prepayment features with negative compensation which have been adopted at the same time as HKFRS 9.

HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

There is no impact of transition to HKFRS 9 on retained profits at 1 April 2018.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. *Classification of financial assets and financial liabilities*

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("**FVTOCI**") and at fair value through profit or loss ("**FVTPL**"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The reclassifications made to balances recognised in the consolidated statement of financial position at the date of initial application 1 April 2018 are summarised as follows:

Consolidation financial position (extract)	Carrying amount as at 31 March 2018 under HKAS 39 HK$'000	Reclassification and remeasurement HK$'000	Carrying amount as at 1 April 2018 under HKFRS 9 HK$'000
Available-for-sale financial assets	35,603	(35,603)	–
Held-for-trading investments	46,173	(46,173)	–
Financial assets at FVTOCI	–	81,776	81,776

The Group's trade receivables, deposits and other receivables and bank balances and cash are reclassified from loans and receivables to financial assets carried at amortised cost under HKFRS 9.

The measurement categories for all financial liabilities remain the same.

Except for disclosed above, the measurement basis and carrying amounts for all financial assets and liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVTPL at 1 April 2018.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

b. *Impairment of financial assets*

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("**ECL**") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including trade receivables, deposits and other receivables and bank balances and cash).

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings based on debtors' aging.

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

The credit losses calculated pursuant to the new requirements are not significantly different from the amount recognised under the current practices. Having consider past payment history, subsequent settlement record and economic environment, the Group considered no adjustment is necessary upon the initial adoption of the standard.

c. *Transition*

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

- The assessments have been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Group) for the determination of the business model within which a financial asset is held.

- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method. The cumulative effect of initial application, if any, is recognised as an adjustment to the opening balance of equity at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

There is no impact of transition to HKFRS 15 on retained earnings at 1 April 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. *Timing of revenue recognition*

Under HKAS 18 and HKAS 11, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sale of goods, admission tickets sold and service income and this change in accounting policy had no material impact on opening balances as at 1 April 2018.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 15, Revenue from contracts with customers (Continued)

b. Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

It is not common for the Group to receive payments significantly in advance of revenue recognition in the Group's arrangements with its customers. Hence, the adoption of HKFRS 15 does not have a significant impact on when the Group recognises financing component from sale of goods and this change in accounting policy had no material impact on opening balance as at 1 April 2018.

c. Presentation of contract assets and liabilities

Under HKFRS 15, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18 that was previously in effect before the adoption of HKFRS 15 is as follows:

Consolidation financial position (extract)	Carrying amount as at 31 March 2018 under HKAS 18 HK$'000	Reclassification HK$'000	Carrying amount as at 1 April 2018 under HKFRS 15 HK$'000
Advanced receipts from customers (included in other payables and accruals)	6,339	(6,339)	–
Contract liabilities	–	6,339	6,339

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of Business[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

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

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 16 Leases (Continued)

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$167,067,000 as disclosed in Note 45. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases.

In addition, the Group currently considers refundable rental deposits paid of HK$27,864,000 and refundable rental deposit received of HK$142,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4. Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating comparative information.

3. Significant Accounting Policies

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

3. Significant Accounting Policies (Continued)

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

3. Significant Accounting Policies (Continued)

Basis of consolidation (Continued)

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

3. Significant Accounting Policies (Continued)

Business combinations (Continued)

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Goodwill

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

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

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

3. Significant Accounting Policies (Continued)

Interest in an associate

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

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

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

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

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

3. Significant Accounting Policies (Continued)

Revenue recognition (accounting policies applied from 1 April 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accrued on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sales of goods

Customers obtain control of goods when the goods are delivered to and have been accepted by customers. Revenue is thus recognised upon when the customers accepted the products. There is generally only one performance obligation.

Sales of admission tickets

Customers obtain control of goods when the tickets are accepted and surrendered by the customers. Revenue from tickets sold for use at a future date is deferred until the tickets are surrendered or have expired. There is generally only one performance obligation.

Service income

Revenue arising from provision of services is recognised when the Group satisfies a performance obligation by transferring control of a promised service to the customer. The amount of revenue recognised is the transaction price which is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised services.

3. Significant Accounting Policies (Continued)

Revenue recognition (accounting policies applied from 1 April 2018) (Continued)

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Contract liabilities

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

Revenue recognition (accounting policies applied until 1 April 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, discounts, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Revenue from admission tickets sold is recognised when tickets are accepted and surrendered by the customer. Revenue from tickets sold for use at a future date is deferred until the tickets are surrendered or have expired.

Service income is recognised when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments, including the cost of acquiring land held under operating lease, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3. Significant Accounting Policies (Continued)

Foreign currencies

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

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

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

Borrowing costs

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

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

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

Government grants

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

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

Provisions

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

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

3. Significant Accounting Policies (Continued)

Retirement benefit costs and termination benefits

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

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

Defined benefit costs are categorised as follows:

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

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

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

Share-based payment transactions

Equity-settled share-based payment transactions

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

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

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

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

3. Significant Accounting Policies (Continued)

Taxation

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

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

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

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

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

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

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

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

3. Significant Accounting Policies (Continued)

Property, plant and equipment

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

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

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

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

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

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

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

3. Significant Accounting Policies (Continued)

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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

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

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

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

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

3. Significant Accounting Policies (Continued)

Research and development expenditure

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

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

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

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

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

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (accounting policies applied from 1 April 2018)

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("**FVTOCI**"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Fair value through profit or loss: Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (accounting policies applied from 1 April 2018) (Continued)

(ii) Effective interest method

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

(iii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("**ECL**") on trade receivables, financial assets measured at amortised cost and debt investments measured at FVTOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate. The Group has measured loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (accounting policies applied until 1 April 2018)

Financial assets are classified into the following specified categories: financial assets at FVTPL, held-to-maturity investment, AFS financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

(ii) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets are held-for-trading or it is designated as at FVTPL.

A financial asset is classified as held-for-trading if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend on the financial assets and is disclosed as “other gains and losses”.

(iii) AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables or (b) held-to-maturity investment or (c) financial assets at FVTPL. The Group classified certain listed equity securities in Hong Kong as AFS financial assets on initial recognition of those items.

Equity securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period. Dividends on AFS equity instruments are recognised in profit or loss when the Group’s right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (accounting policies applied until 1 April 2018) (Continued)

(iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

(v) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

Objective evidence of impairment for the financial asset could include the Group's past experience of collecting payments, an increase in the number of delayed payments past the average credit period ranging from 30 days to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (accounting policies applied until 1 April 2018) (Continued)

(v) Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities including trade and notes payables, other payables and accruals, amount due to a director, amount due to a non-controlling interest of a subsidiary, guaranteed note, bonds, secured bank borrowings and obligation arising from a put option to a non-controlling interest are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

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

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Obligation arising from a put option on shares of a subsidiary written to non-controlling shareholders

Put option written to non-controlling shareholders, which will be settled other than by exchange of fixed amount of cash for a fixed number of shares in a subsidiary is treated as derivative and is recognised at fair value upon initial recognition. Any changes of fair value in subsequent reporting dates are recognised in profit or loss.

The gross financial liability arising from the put option is recognised when contractual obligation to repurchase the shares in a subsidiary is established even if the obligation is conditional on the counterparty exercising a right to sell back the shares to the Group. The liability for the share redemption amount is initially recognised and measured at present value of the estimated repurchase price with the corresponding debit to the non-controlling interests. In subsequent periods, the remeasurement of the present value of the estimated gross obligation under the written put option to the non-controlling shareholders is recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Derecognition/non-substantial modification of financial liabilities

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

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

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

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Non-substantial modifications of financial liabilities

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

4. Key Sources of Estimation Uncertainty

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

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

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

Provision of ECL for trade receivables

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 24 and 42.

Estimated useful lives of property, plant and equipment

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

At 31 March 2019, the carrying amount of property, plant and equipment was HK$280,752,000 (2018: HK$263,333,000). Details of the useful lives of the property, plant and equipment are disclosed in Note 14.

4. Key Sources of Estimation Uncertainty (Continued)

Estimated useful lives of intangible assets

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

At 31 March 2019, the carrying amount of intangible assets is HK$177,996,000 (2018: HK$77,031,000). Details of the useful lives of the intangible assets are disclosed in Note 17.

Estimated impairment of non-current assets relating to CA Sega Group

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

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

Based on the management's assessment, no impairment was recognised on non-current assets relating to CA Sega Group.

Valuation of put option derivatives

The directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The inputs to those valuation pricing models are taken from observable markets where possible but where this is not feasible, a degree of estimate is required. The estimates include an unaudited consolidated net asset value and cash flow forecast of CA Sega Group, discount rate and considerations of input such as adjustment factors to stock price and volatility. Changes in assumptions about these factors could affect the carrying amounts of the put option derivatives.

As at 31 March 2019, the fair value of the Group's put option derivatives is HK$440,000 (2018: HK$335,000).

5. Revenue and Segment Information

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

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

5. Revenue and Segment Information (Continued)

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:

	Sales of animation derivative products HK$'000	Establishment and operation of indoor theme parks HK$'000	Multimedia animation entertainment HK$'000	Total HK$'000
For the year ended 31 March 2019				
Segment revenue	258,097	325,355	49,429	632,881
Segment profit	66,992	35,375	90,858	193,225
Unallocated income				5,524
Unallocated expenses				(98,335)
Other gains and losses				(330)
Finance costs				(55,363)
Profit before taxation				44,721
For the year ended 31 March 2018				
Segment revenue	395,124	401,750	4,585	801,459
Segment profit (loss)	116,244	37,680	(14,055)	139,869
Unallocated income				6,047
Unallocated expenses				(64,966)
Other gains and losses				(31,878)
Share of result of an associate				(25)
Finance costs				(27,581)
Profit before taxation				21,466

5. Revenue and Segment Information (Continued)

Segment assets and liabilities

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

Segment assets

	2019 HK$'000	2018 HK$'000
Sales of animation derivative products	239,378	317,120
Establishment and operation of indoor theme parks	861,988	661,546
Multimedia animation entertainment	239,003	76,757
Total segment assets	1,340,369	1,055,423
Property, plant and equipment	18,502	26,480
Other receivables, deposits and prepayments	31,867	10,557
Goodwill	2,472	2,569
Interest in an associate	5,813	6,223
Financial assets at FVTPL	3,903	–
Financial assets at FVTOCI	107,900	–
Held-for-trading investments	–	46,173
Amount due from a director	2,408	–
AFS investments	–	35,603
Pledged bank deposits	111,253	114,580
Bank balances and cash	50,387	366,970
Consolidated assets	1,674,874	1,664,578

Segment liabilities

	2019 HK$'000	2018 HK$'000
Sales of animation derivative products	8,260	14,133
Establishment and operation of indoor theme parks	85,724	113,500
Multimedia animation entertainment	268	216
Total segment liabilities	94,252	127,849
Other payables and accruals	47,346	16,222
Secured bank borrowings and other borrowings	127,805	116,091
Tax payable	107,620	124,099
Deferred tax liabilities	3,602	5,201
Bonds	257,528	158,449
Guaranteed note	138,957	196,773
Obligation arising from a put option to a non-controlling interest	7,507	7,913
Put option derivatives	440	335
Long-term payable	1,182	–
Consolidated liabilities	786,239	752,932

Segment assets represent certain property, plant and equipment, prepaid lease payments, intangible assets, deposits for acquisition of plant and equipment, deposits for acquisition of long term investment, interest in an associate, 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, 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.

5. Revenue and Segment Information (Continued)

Other segment information

	Sales of animation derivative products HK$'000	Establishment and operation of indoor theme parks HK$'000	Multimedia animation entertainment HK$'000	Segment total HK$'000	Unallocated HK$'000	Total HK$'000
2019						
Amounts included in the measurement of segment profit or loss and segment assets:						
Additions to property, plant and equipment and intangible assets	74,936	17,729	134,707	227,372	36	227,408
Depreciation and amortisation	1,095	51,406	25,151	77,652	7,665	85,317
Gain on disposal of intangible assets	–	–	78,655	78,655	–	78,655
Loss on disposal of property, plant and equipment	–	3,673	–	3,673	–	3,673
Release of prepaid lease payments	587	–	–	587	–	587
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:						
Interest income	–	–	–	–	1,475	1,475
Interest expense	–	–	–	–	55,363	55,363
Taxation	(13,291)	(1,555)	–	(14,846)	3	(14,843)
2018						
Amounts included in the measurement of segment profit or loss and segment assets:						
Additions to property, plant and equipment and intangible assets	15,231	35,014	6,814	57,059	87	57,146
Additions to prepaid lease payments	10,484	–	–	10,484	–	10,484
Depreciation and amortisation	5	51,246	10,273	61,524	7,720	69,244
Loss on disposal of property, plant and equipment	–	1,578	–	1,578	–	1,578
Release of prepaid lease payments	49	–	–	49	–	49
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:						
Interest income	–	–	–	–	933	933
Interest expense	–	–	–	–	27,581	27,581
Taxation	(1,722)	1,946	–	224	–	224

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

All the segment revenue reported above is from external customers.

5. Revenue and Segment Information (Continued)

Revenue from contract with customers within the scope of HKFRS 15

Type of goods or services:

	2019 HK$'000	2018 HK$'000
Sales of animation derivative products	258,097	395,124
Sales of admission tickets and licensing income of indoor theme parks	325,355	401,750
Revenue from multimedia animation entertainment	49,429	4,585
	632,881	801,459

No further analysis is presented for animation derivative products and animation characters as such information is not regularly provided to the CODM and the cost to develop it would be excessive.

Timing of revenue recognition:

	2019 HK$'000	2018 HK$'000
At point in time	580,786	796,874
Over time	52,095	4,585
	632,881	801,459

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18. As mentioned in Note 2, the adoption of HKFRS 15 does not have significant impact on the Group's consolidated statement of financial position.

Transaction price allocated to the remaining performance obligation for contracts with customers:

	Establishment and operation of indoor theme park HK$'000
Within one year	–
More than one year but not more than two years	2,719
More than two years	15,408
	18,127

The other provision of goods or services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. Revenue and Segment Information (Continued)

Geographical information

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

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

Revenue from external customers

	2019 HK$'000	2018 HK$'000
PRC	155,126	161,859
Hong Kong	1,366	1,230
Japan	476,389	638,370
	632,881	801,459

Non-current assets by geographical location

	2019 HK$'000	2018 HK$'000
PRC*	879,967	451,902
Hong Kong	15,310	28,309
Japan	88,845	93,870
Cambodia	98,329	45,073
	1,082,451	619,154

Note: Non-current assets excluded financial assets at FVTOCI, financial assets at FVTPL and AFS investments.

* As at 31 March 2019, the amount of trademark arising from acquisition of subsidiaries included HK$14,409,000 (2018: HK$20,804,000) is allocated to the PRC as it is expected to be used in the PRC.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group, which was mainly derived from sales of animation derivative products, are as follows:

	2019 HK$'000	2018 HK$'000
Customer A	147,142	200,470
Customer B	–	126,947

6. Other Income

	2019 HK$'000	2018 HK$'000
Interest income	1,475	933
Government grants	1,958	1,927
Promotion service income	–	2,083
Insurance claim	761	–
Compensation income	1,752	–
Others	1,569	1,104
	7,515	6,047

7. Other Gains and Losses

	2019 HK$'000	2018 HK$'000
Net exchange gain	39	926
Net gain (loss) on a put option to a non-controlling interest	301	(1,036)
Gain from changes in fair value of financial assets mandatorily measured at FVTPL	62	–
Loss on disposal of property, plant and equipment	(3,673)	(1,578)
Loss on held-for-trading investments	–	(30,190)
Other gain	3,266	–
Gain on disposal of intangible assets (Note 43(b))	78,655	–
	78,650	(31,878)

8. Finance Costs

	2019 HK$'000	2018 HK$'000
Interest expenses on bank borrowings	4,745	4,071
Interest expenses on other borrowings	–	441
Effective interest expenses on guaranteed note	22,100	10,861
Effective interest expenses on bonds	27,937	11,875
Interest expenses on obligations under finance leases	581	–
Interest expenses on amount due to a non-controlling interest of a subsidiary	–	333
	55,363	27,581

9. Taxation

	2019 HK$'000	2018 HK$'000
Hong Kong Profits Tax:		
Current tax	**218**	13,009
Overprovision in prior years	**(13,510)**	(13,192)
PRC Enterprise Income Tax ("**EIT**")	**4**	2,036
Corporate tax in Japan		
Overprovision in prior years (Note 36)	**(215)**	–
	(13,503)	1,853
Deferred taxation for the year	**(1,340)**	(1,629)
	(14,843)	224

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

Corporate tax in Japan is calculated at 23.2% (2018: 23.4%) on the estimated assessable profit. Pursuant to relevant laws and regulations in Japan, withholding tax is imposed at 20.42% (2018: 20.42%) and 5% (2018: 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 year.

The Group only notified the Hong Kong Inland Revenue Department ("**IRD**") of its assessable profits for the years of assessment 2008/09 to 2012/13 in February 2014. After filing the respective tax returns, the Group received Notices of Assessment for the year of assessment 2008/09 in March 2014, the year of assessment 2009/10 in May 2014, and the years of assessment 2010/11 to 2012/13 in July 2014 from the IRD which stated that tax payable for the years of assessment 2008/09 to 2012/13 amounting to HK$4,566,000 in aggregate, which is based on the amounts reported in tax returns filed by the Group for relevant years. As at 31 March 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 2012/13 in respect of its offshore income claim is low. Accordingly, the tax provision of approximately HK$13,510,000 for the year of assessment 2012/13 was reversed during the year ended 31 March 2019 (2018: HK$13,192,000 for the year of assessment 2011/12).

The Group has lodged the offshore profits claims in respect of the trading income (other than trading income derived from Hong Kong affiliates of Japanese customers) and licensing income which were derived outside Hong Kong. Hence, the Group estimated the total tax payable for the years of assessment of 2008/09 to 2012/13 (on the assumption that the aforesaid offshore profit claims will be accepted by the IRD) amounted to HK$4,566,000 and has already paid such amount to the IRD based on the tax returns received. As at 31 March 2019, the offshore profits claims are still under review by the IRD. After seeking professional advice, 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 31 March 2019 would be HK$95,956,000 after considering the overprovision of years of assessment 2008/09 to 2012/13 (2018: HK$109,211,000). Having taken into account professional advice, the directors believe that the Group has made appropriate provision in respect of the possible tax liability.

9. Taxation (Continued)

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

	2019 HK$'000	2018 HK$'000
Profit before taxation	44,721	21,466
Notional tax on profit before taxation, calculated at the rates applicable to the tax jurisdictions concerned	7,379	3,542
Tax effect of share of result of an associate	–	4
Tax effect of expenses not deductible for tax purpose	4,020	5,839
Tax effect of income not taxable for tax purpose	(30,042)	(3,608)
Effect of different tax rates of subsidiaries operating in other jurisdictions	10,176	(1,419)
Tax effect of tax losses not recognised	10,694	10,193
Utilisation of tax losses previously not recognised	(3,560)	(1,135)
Overprovision of taxation in prior years	(13,510)	(13,192)
	(14,843)	224

10. Profit for the Year

	2019 HK$'000	2018 HK$'000
Profit for the year has been arrived at after charging:		
Staff costs:		
Directors' emoluments	5,260	5,545
Other staff costs		
Salaries and other benefits	92,446	100,047
Retirement benefit schemes	15,245	14,001
Defined benefits costs	984	1,829
Share-based payments expense	707	5,450
	114,642	126,872
Auditor's remuneration		
– audit services	3,350	4,476
– non-audit services	350	1,338
	3,700	5,814
Cost of inventories recognised as expenses	182,587	308,565
Depreciation of property, plant and equipment		
– Cost of sales and services	44,049	45,333
– Administrative expenses	11,290	8,144
Release of prepaid lease payments	587	49
Amortisation of intangible assets (included in cost of sales and services)	29,751	15,539
Amortisation of intangible assets (included in administrative expenses)	227	228
Minimum operating lease rentals in respect of rented vehicles	169	169
Lease payments under operating leases in respect of rented premises		
Minimum lease payments	46,546	51,994
Contingent rents (note)	3,926	2,852

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.

11. Directors', Chief Executive's and Employees' Emoluments

Directors' and chief executive's emoluments

The emoluments paid or payable to each of the six (2018: six) directors of the Company are as follows:

For the year ended 31 March 2019

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Incentive performance bonuses HK$'000	Share-based payments expense HK$'000	Total HK$'000
Executive directors:						
Mr. Chong Heung Chung Jason (formerly named as Mr. Zhuang Xiangsong)	1,056	744	18	150	104	2,072
Mr. Ting Ka Fai Jeffrey	660	940	18	133	104	1,855
Ms. Liu Moxiang	400	35	44	–	104	583
	2,116	1,719	80	283	312	4,510
Independent non-executive directors:						
Mr. Ni Zhenliang	250	–	–	–	–	250
Mr. Tsing Wah Kwong	250	–	–	–	–	250
Mr. Hung Muk Ming	250	–	–	–	–	250
	750	–	–	–	–	750
	2,866	1,719	80	283	312	5,260

For the year ended 31 March 2018

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Incentive performance bonuses HK$'000	Share-based payments expense HK$'000	Total HK$'000
Executive directors:						
Mr. Chong Heung Chung Jason	1,056	744	18	150	199	2,167
Mr. Ting Ka Fai Jeffrey	660	940	18	133	199	1,950
Ms. Liu Moxiang	400	35	44	–	199	678
	2,116	1,719	80	283	597	4,795
Independent non-executive directors:						
Mr. Ni Zhenliang	250	–	–	–	–	250
Mr. Tsing Wah Kwong	250	–	–	–	–	250
Mr. Hung Muk Ming	250	–	–	–	–	250
	750	–	–	–	–	750
	2,866	1,719	80	283	597	5,545

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

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

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

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

Employees

Of the five individuals with the highest emoluments in the Group, three (2018: three) were directors and the chief executive of the Company whose emoluments are included above. The emoluments of the remaining two (2018: two) individuals were as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	2,580	2,420
Retirement benefit scheme contributions	36	36
Incentive performance bonus	90	90
Share-based payments expense	303	549
	3,009	3,095

Their emoluments were within the following bands:

	2019	2018
HK$1,000,001 to HK$1,500,000	1	–
HK$1,500,001 to HK$2,000,000	1	2

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

No emoluments have been paid by the Group to any of the director or the chief executive of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2019 and 2018. None of the directors nor the chief executive waived or agreed to waive any emoluments during the years ended 31 March 2019 and 2018.

12. Dividends

	2019 HK$'000	2018 HK$'000
Dividends recognised as distributions during the year: – Final dividend of HK2.3 cents per share for the year ended 31 March 2018 (2017: HK2 cents per share for the year ended 31 March 2017)	21,161	18,401

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2019 of HK2.3 cents (2018: final dividend in respect of the year ended 31 March 2018 of HK2.3 cents) per ordinary share of an aggregate amount of HK$21,161,000 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

13. Earnings Per Share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK$58,372,000 (2018: HK$20,790,000) and the weighted average of 920,062,000 ordinary shares (2018: 920,062,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

For the year ended 31 March 2019, 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.

For the year ended 31 March 2018, the calculation of diluted earnings per share attributable to the owners of the Company was based on the following data:

	2018 '000
Number of shares:	
Weighted average number of ordinary shares for the purpose of basic earnings per share	920,062
Effect of dilutive potential ordinary shares from the Company's share option scheme	400
Weighted average number of ordinary shares for the purpose of diluted earnings per share	920,462

14. Property, Plant and Equipment

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
COST					
At 1 April 2017	167,012	175,898	8,282	–	351,192
Additions	14,562	22,214	855	12,727	50,358
Disposals	(621)	(17,787)	(820)	–	(19,228)
Exchange adjustments	2,102	17,220	408	21	19,751
Transfers	470	221	–	(691)	–
At 31 March 2018	183,525	197,766	8,725	12,057	402,073
Additions	25,100	13,153	472	54,583	93,308
Disposals	(25,860)	(20,753)	(30)	–	(46,643)
Transfers	13,850	222	–	(14,072)	–
Exchange adjustments	(8,813)	(17,728)	(481)	199	(26,823)
At 31 March 2019	187,802	172,660	8,686	52,767	421,915
DEPRECIATION					
At 1 April 2017	55,897	42,389	3,476	–	101,762
Provided for the year	20,117	31,543	1,817	–	53,477
Eliminated on disposals	(435)	(16,265)	(820)	–	(17,520)
Exchange adjustments	(4,295)	5,295	21	–	1,021
At 31 March 2018	71,284	62,962	4,494	–	138,740
Provided for the year	22,351	31,230	1,758	–	55,339
Eliminated on disposals	(23,105)	(13,382)	(30)	–	(36,517)
Exchange adjustments	(4,950)	(11,084)	(365)	–	(16,399)
At 31 March 2019	65,580	69,726	5,857	–	141,163
CARRYING VALUES					
At 31 March 2019	122,222	102,934	2,829	52,767	280,752
At 31 March 2018	112,241	134,804	4,231	12,057	263,333

14. Property, Plant and Equipment (Continued)

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

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

Certain leased premises in the PRC are rented from Mr. Chong Heung Chung Jason, the Controlling Shareholder, who is in the process of obtaining the land use right certificates. After seeking legal advice, the directors of the Company consider that the title ownership certificates can be obtained by Mr. Chong Heung Chung Jason in due time for insignificant cost, therefore, the directors of the Company consider that there is no impairment on the leasehold improvements. As at 31 March 2019, the carrying value of the relevant leasehold improvement approximates HK$18,394,000 (2018: HK$25,825,000).

At 31 March 2019, the Group's property, plant and equipment with an aggregate carrying amount of approximately of HK$11,537,000 (2018: Nil) was held under finance lease (Note 33).

15. Prepaid Lease Payments

	2019 HK$'000	2018 HK$'000
The Group's prepaid lease payments represent land use rights in the Cambodia and are analysed for reporting purposes as:		
Non-current asset	**9,261**	10,318
Current asset	**587**	117
	9,848	10,435

16. Goodwill

	HK$'000
CARRYING VALUES	
At 1 April 2017	2,426
Exchange adjustments	143
At 31 March 2018	2,569
Exchange adjustments	(97)
At 31 March 2019	2,472

Particulars regarding impairment testing on goodwill are disclosed in Note 18.

17. 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 2017	33,111	5,702	2,279	30,000	25,797	96,889
Additions	6,788	–	–	–	–	6,788
Exchange adjustments	–	–	–	–	1,524	1,524
At 31 March 2018	39,899	5,702	2,279	30,000	27,321	105,201
Additions	79,100	55,000	–	–	–	134,100
Disposal (Note 43(b))	(3,675)	(179)	–	–	–	(3,854)
Exchange adjustments	–	–	–	–	(1,035)	(1,035)
At 31 March 2019	115,324	60,523	2,279	30,000	26,286	234,412
AMORTISATION						
At 1 April 2017	3,996	5,593	684	1,500	630	12,403
Charge for the year	6,543	109	228	3,000	5,887	15,767
At 31 March 2018	10,539	5,702	912	4,500	6,517	28,170
Charge for the year	14,806	6,584	228	3,000	5,360	29,978
Written back	(1,553)	(179)	–	–	–	(1,732)
At 31 March 2019	23,792	12,107	1,140	7,500	11,877	56,416
CARRYING VALUES						
At 31 March 2019	91,532	48,416	1,139	22,500	14,409	177,996
At 31 March 2018	29,360	–	1,367	25,500	20,804	77,031

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 Group under Trademark Licence Agreement (the "Trademark Licence Agreement") with SEGA Holdings Co., Ltd. for a non-transferrable and non-exclusive right to use and sub-license the JOYPOLIS trademark for the establishment and operation of indoor theme parks with JOYPOLIS worldwide. The term of the Trademark Licence Agreement is 5 years from the date of the Trademark Licence Agreement which is renewable for another 5 years subject to negotiation among the parties concerned.

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

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

18. Impairment Testing on Goodwill

For the purposes of impairment testing, goodwill set out in Note 16 have been allocated to a group comprising two individual cash-generating units and comprising CA Sega Group in the segment of establishment and operation of indoor theme parks. The carrying amount of goodwill as at 31 March 2019 and 2018 is allocated to CA Sega Group.

The recoverable amounts of the cash-generating units have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and pre-tax discount rate of 20% (2018: 21%). Cash flows beyond the five-year period is extrapolated using a steady 2% (2018: 3%) growth rate. Cash flow projections during the forecast period for the cash-generating units are based on the expected gross margins during the forecast period. Forecasted gross margins were determined based on past performance and the management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the cash-generating units to exceed the recoverable amount of the cash-generating units.

During the year ended 31 March 2019, the management of the Group determines that there are no impairment of the cash-generating units containing goodwill.

19. Interest in an Associate

	2019 **HK$'000**	2018 HK$'000
Cost of unlisted investment	**5,658**	5,658
Share of post-acquisition loss and other comprehensive expense	**(41)**	(41)
Exchange adjustments	**196**	606
	5,813	6,223

Details of the Group's associate as at 31 March 2019 are as follows:

Name of associate	Place of establishment	Paid up registered capital	Proportion of equity interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2019	2018	**2019**	2018	
常州江南環球港華夏動漫科技有限公司 (Changzhou Southern Yangtze Global Harbor Chinese Animation Technology Co., Ltd) ("**Changzhou Joypolis**")	PRC	RMB25,000,000	**20%**	20%	**20%**	20%	Inactive

19. Interest in an Associate (Continued)

The summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs. The associate is accounted for using the equity method in these consolidated financial statements.

	2019 HK$'000	2018 HK$'000
Changzhou Joypolis		
Current assets	29,230	31,296
Current liabilities	(167)	(179)
Loss for the year	–	(124)

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

	2019 HK$'000	2018 HK$'000
Net assets of Changzhou Joypolis	29,063	31,117
Proportion of the Group's ownership interest in Changzhou Joypolis	20%	20%
Carrying amount of the Group's interest in Changzhou Joypolis	5,813	6,223

20. Financial Assets at Fair Value through Other Comprehensive Income/Available-For-Sale Financial Assets/Held-For-Trading Investment

Available-for-sale financial assets and held-for-trading investment were reclassified to financial assets at FVTOCI (non-recycling) upon the initial application of HKFRS 9 at 1 April 2018, see Note 2(a) in details.

Financial assets at FVTOCI/Available-for-sale financial assets/Held-for trading investment include the following:

	2019 HK$'000	2018 HK$'000
Equity securities listed in Hong Kong	107,900	81,776

The above listed equity investments represent ordinary shares of an entity 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.

21. Deposit for Acquisition of Long Term Investment

In August 2015, the Group entered into a strategic partnership agreement and a supplemental agreement with an independent third party to enter into a long-term strategic alliance and partnership to collaborate across virtual reality technology projects. Deposit for acquisition of long term investment represents the consideration paid by the Group to the independent third party, on a priority basis, to invest or co-invest in virtual reality technology projects and the deposit is refundable.

22. Pledged Bank Deposits

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. The pledged bank deposits carry interest at market rates ranging from 1.8% to 2.3% (2018: from 0.01% to 1.75%) per annum.

23. Inventories

	2019 HK$'000	2018 HK$'000
Finished goods	723	768

24. Trade Receivables

	2019 HK$'000	2018 HK$'000
Trade Receivables	299,264	450,626
Less: Accumulated impairment losses	(3,405)	–
	295,859	450,626

The Group generally allows a credit period ranging from 30 days to 90 days to its trade customers except certain distributors with strategic business relationship which are granted a longer credit period of 180 days.

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

	2019 HK$'000	2018 HK$'000
0 to 90 days	80,676	112,907
91 to 180 days	16,479	48,574
181 to 365 days	197,842	289,039
Over 365 days	862	106
	295,859	450,626

Included in trade receivables aged within 0 to 90 days and 181 to 365 days is the receivable balance of HK$Nil (2018: HK$48,301,000) and HK$67,119,000 (2018: HK$118,366,000) respectively, arose from the sales of admission tickets of the Group's indoor theme parks to the Group's two customers who act as distributors, in which billings were made semi-annually, whilst the related revenue were recognised throughout the reporting period when tickets are surrendered by end customers for the admission of indoor theme park or the tickets are expired. The invoice dates of the remaining receivables approximate the revenue recognition dates.

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by each customer. Limits attributed to customers are reviewed once a year.

24. Trade Receivables (Continued)

Included in the Group's trade receivables are receivables with the following carrying amounts which are past due at the end of each reporting period for which the Group has not provided for impairment loss as there has not been a significant change in the credit quality and the settlements after the end of the reporting period from those debtors are satisfactory. The Group does not hold any collateral over these balances. Ageing of trade receivables which are past due but not impaired, aged based on past due dates, is as follows:

	2019 HK$'000	2018 HK$'000
0 to 90 days	104,147	126,183
91 to 180 days	366	68,053
181 to 365 days	27	94,824
Over 365 days	–	96
	104,540	289,156

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

	2019 HK$'000	2018 HK$'000
United States Dollars ("**US$**")	140,354	271,929

Impairment under HKFRS 9 for the year ended 31 March 2019

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., customer type and financial position of the customer). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

At 31 March 2019

	Expected credit loss rate (%)	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Provision on collective basis				
Current	0%	191,319	–	191,319
Within 90 days past due	3%	107,368	(3,221)	104,147
91 days to 180 days past due	30%	523	(157)	366
181 days to 365 days past due	50%	54	(27)	27
Over 365 days past due	100%	–	–	–

Impairment under HKAS 39 for the year ended 31 March 2018

As at 31 March 2018, the provision for impairment of trade receivables was measured based on incurred credit losses under HKAS 39. The trade receivables that are neither past due nor impaired are mainly due from those customers which have long-term relationship and those distributors with strategic business relationship with the Group and the repayment history of these customers were good.

25. Amount Due from a Director

	2019 HK$'000	2018 HK$'000	Maximum outstanding balance during the year HK$'000
Chong Heung Chung, Jason	2,408	–	2,408

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

26. Financial Assets at Fair Value Through Profit or Loss

	2019 HK$'000	2018 HK$'000
Structured deposits	3,903	–

The structured deposits are wealth management products issued by a bank in Mainland China and are classified as financial assets at fair value through profit or loss at 31 March 2019 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.

27. Bank Balances and Cash

Bank balances carry interest at market rates ranging from 0.001% to 0.350% (2018: from 0.001% to 0.350%) per annum.

Bank balances and cash that are denominated in currencies other than the functional currencies of the respective group entities are set out below:

	2019 HK$'000	2018 HK$'000
RMB	125	216
US$	1,222	3,040

28. Trade and Notes Payables

	2019 HK$'000	2018 HK$'000
Trade payables	7,221	15,039
Notes payables	–	3,116
	7,221	18,155

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

	2019 HK$'000	2018 HK$'000
0 to 30 days	7,004	15,098
31 to 60 days	–	–
Over 90 days	217	3,057
	7,221	18,155

29. Other Payables and Accruals

	2019 HK$'000	2018 HK$'000
Other payables and accruals	30,208	39,156
Deferred income	–	1,673
Advanced receipts from customers	–	6,339
Payable for acquisition of plant and equipment	30	3,509
Interest payables	11,035	7,201
Salaries payables	4,226	8,748
Other tax payables	10,401	16,223
	55,900	82,849

30. Contract liabilities

	2019 HK$'000	1 April 2018 HK$'000
Sales of animation derivative products	17,245	462
Sales of admission tickets and licensing income of indoor theme parks	9,345	5,877
	26,590	6,339

Note: Upon the adoption of HKFRS 15, advanced receipts from customers of approximately HK$6,339,000 previously included in other payables and accruals were reclassified as contract liabilities.

During the current year, revenue of HK$6,339,000 was recognised that was included in the contract liabilities balance at the beginning of the year.

31. Provision for Reinstatement Costs for Rented Premises

	2019 HK$'000	2018 HK$'000
At 1 April	41,487	41,083
Provision recognised	977	156
Provision utilised	(9,099)	(2,093)
Exchange adjustment	(1,420)	2,341
At 31 March	31,945	41,487

	2019 HK$'000	2018 HK$'000
Provision for reinstatement costs for rented premises		
Analysed for reporting purpose as:		
Current liabilities	–	9,275
Non-current liabilities	31,945	32,212
	31,945	41,487

Under the terms of the rental agreements signed with landlords, the Group should remove and re-instate the rented premises at the Group's cost upon expiry of the relevant rental agreements. Provision is therefore made for the best estimate of the expected reinstatement costs to be incurred.

32. 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. On 27 September 2017, the Company repaid principal amount of HK$60,000,000. The outstanding principal of HK$140,000,000 has renewed maturity on 26 September 2019 and coupon rate of 9.5%. The interest on the Guaranteed Note is payable semi-annually in arrears and is denominated in HK$.

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.

33. Obligation under Finance Leases

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**6,754**	–	**5,905**	–
Within a period more than one year but not exceeding two years	**6,634**	–	**6,100**	–
Within a period of more than two years but not exceeding five years	**8,125**	–	**7,745**	–
	21,513	–	**19,750**	–
Less: Future finance charges	**(1,763)**	–	**N/A**	–
Present value of lease obligations	**19,750**	–	**19,750**	–
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(5,905)**	–
Amount due for settlement after 12 months		–	**13,845**	–

The Group's finance lease payables are secured by the lessor's title to the leased assets.

34. Secured Bank Borrowings and Other Borrowings

	2019 HK$'000	2018 HK$'000
The carrying amounts of bank borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	102,641	100,327
Within a period of more than one year but not exceeding two years	4,958	4,759
Within a period of more than two years but not exceeding five years	6,046	11,005
	113,645	116,091
Other borrowings		
Within one year	–	–
Within a period of more than one year but not exceeding two years	–	–
Within a period of more than two years but not exceeding five years	14,160	–
	14,160	–

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

	2019	2018
Fixed-rate bank borrowings	2.15%	3.75% to 4.09%
Variable-rate bank borrowings	3.75% to 4.49%	–

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

	2019 HK$'000	2018 HK$'000
US$	94,687	95,758

Included in the bank borrowings balance as at 31 March 2019 are secured bank borrowings of approximately HK$111,521,000 (2018: HK$116,091,000) which secured by pledged bank deposits.

Included in the other borrowings balance as at 31 March 2019 are secured by the long-term rental deposits.

35. Bonds

During the year ended 31 March 2019, the Company issued bonds at par in an aggregate principal amount of HK$106,400,000 (2018: HK$193,000,000) (the "**Bonds**"). The Bonds are denominated in HK$ and are unlisted. The Bonds are unsecured and carry interest at a nominal rate from 6% to 8.67% (2018: 6%) per annum, payable annual/semi-annual in arrears and will be matured period ranging from 3 to 7.5 years (2018: 3 to 7.5 years).

The proceeds are being utilised for development of the indoor theme park business and general working capital of the Group.

36. Deferred Tax Liabilities

The followings are the deferred tax liabilities recognised and movement thereon during the current and prior years:

	Fair value adjustment on business combination HK$'000
At 1 April 2017	6,449
Credit to profit or loss	(1,629)
Exchange difference	381
At 31 March 2018	5,201
Credit to profit or loss	(1,340)
Exchange difference	(259)
At 31 March 2019	3,602

The Group had unused tax losses of HK$415,309,000 at 31 March 2019 (2018: HK$286,052,000), which is available for offset against future profits. No deferred tax asset has been recognised due to unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$159,507,000 (2018: HK$36,532,000) that will expire between 2023 and 2028 and unrecognised tax losses under Japan Corporate tax of HK$238,266,000 (2018: HK$196,481,000) that will expire between 2025 and 2028. Other losses may be carried forward indefinitely.

37. Retirement Benefit Obligations

Defined benefit plans

The Group sponsors a funded defined benefit plan for all qualifying employees of its subsidiary in Japan.

The plan in the Japan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.
Interest rate risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 March 2019 by Willis Towers Watson, Fellow of the Institute of Actuaries in Japan. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

37. Retirement Benefit Obligations (Continued)

Defined benefit plans (Continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2019	2018
Discount rate	0.5%	0.6%

The actuarial valuation showed that the market value of plan assets was HK$32,296,000 (2018: HK$32,148,000).

Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows.

	2019 HK$'000	2018 HK$'000
Service cost:		
Current service cost	984	1,820
Net interest expense	–	9
Components of defined benefits costs recognised in profit or loss	984	1,829
Remeasurement on the net defined benefit liabilities:		
Return on plan assets (excluding amounts included in net interest expense)	(476)	(921)
Actuarial loss arising from experience adjustments	(362)	231
Components of deferred benefit cost recognised in other comprehensive income	(838)	(690)
Total	146	1,139

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	2019 HK$'000	2018 HK$'000
Present value of funded defined benefit obligations	32,488	33,728
Fair value of plan assets	(32,296)	(32,148)
Defined benefit obligation	192	1,580

37. Retirement Benefit Obligations (Continued)

Defined benefit plans (Continued)

Movements in the present value of the defined benefit obligations in the current year were as follows:

	2019 HK$'000	2018 HK$'000
Defined benefit obligation at 1 April	33,728	29,643
Current service cost	984	1,820
Interest cost	99	210
Remeasurement gains:		
Actuarial gains arising from change in financial assumptions	(476)	231
Benefits paid	(563)	(81)
Exchange differences on foreign plan	(1,284)	1,851
Others	–	54
Defined benefit obligation at 31 March	32,488	33,728

Movements in the present value of the plan assets in the current year were as follows:

	2019 HK$'000	2018 HK$'000
Fair value of plan assets at 1 April	32,148	26,686
Interest income	99	201
Remeasurement gains:		
Return on plan assets (excluding amounts included in net interest expense)	362	921
Contributions from the employers	1,500	2,625
Exchange differences on foreign plans	(1,250)	1,742
Benefits paid	(563)	(81)
Others	–	54
Fair value of plan assets at 31 March	32,296	32,148

Defined contribution plans

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group, in funds under control of a trustee. The Group contributes the lower of 5% of relevant payroll costs or HK$1,500 per person to the Scheme, which is matched by employees.

The employees of the Group in the PRC are members of state-managed retirement benefit scheme operated by the PRC government. The Company's subsidiaries are required to contribute a certain percentage of payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme.

Contributions to the schemes for the year ended 31 March 2019 made by the Group amounted to HK$15,325,000 (2018: HK$13,996,000).

38. Obligation Arising from a Put Option to a Non-Controlling Interest and Put Option Derivatives

On 31 December 2016, China Theme Park Limited ("**CTP**"), a wholly-owned subsidiary of the Company, entered into a shareholders agreement with the non-controlling interest of CA Sega Joypolis Limited ("**CA Sega**"), namely Sega Sammy Holdings Inc. ("**Sega Sammy**"), pursuant to which CTP granted a put option to Sega Sammy for the rights to oblige the Group, to purchase the remaining 14.9% equity interest of CA Sega.

The put option is exercisable by Sega Sammy from the third anniversary of the completion date of the acquisition of subsidiaries, being 1 January 2017 ("**Completion Date**"), until the date immediately before the fifth anniversary of the Completion Date at a put price of Japanese yen ("**JPY**") 105,052,748 (equivalent to approximately HK$7.44 million) or the put option is exercisable from the fifth anniversary of the Completion Date until the date immediately before the sixth anniversary of the Completion Date at a put price of JPY210,105,496 (equivalent to approximately HK$14.88 million).

At initial recognition, the gross obligation arising from a put option to a non-controlling interest is measured at present value of the estimated repurchase price at an applicable discount rate. This amount had been recognised in the consolidated statement of financial position with a corresponding debit to the non-controlling interest at 31 March 2017.

In addition, the put option which will be settled other than by exchange of fixed amount of cash for a fixed number of shares of a subsidiary is treated as derivative financial instruments and is recognised at fair value in accordance with HKAS 39 Financial Instruments: Recognition and Measurement. The directors of the Company consider the fair value of put option is insignificant as initial recognition.

The fair value of the put option derivatives of CA Sega Group as at 31 March 2019 and 31 March 2018 has been determined by using a Binominal Option Pricing Model, performed by Asset Appraisal Limited, an external independent valuer, which used the exercise price, risk free rate, exercise period, unaudited consolidated net asset value and cash flow forecast of CA Sega Group, adjustment to future stock price and volatility as key inputs.

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

The movements of the obligation arising from a put option to non-controlling interests and put option derivative are set as below:

	Obligation arising from a put option HK$'000	Put option derivative HK$'000	Total HK$'000
At 1 April 2017	6,383	829	7,212
Fair value change	1,530	(494)	1,036
At 31 March 2018	7,913	335	8,248
Fair value change	(406)	105	(301)
At 31 March 2019	7,507	440	7,947

Net loss of HK$301,000 (2018: net loss of HK$1,036,000) was recognised in profit or loss for the year ended 31 March 2019.

Key inputs used in the model	2019	2018
Risk-free rate (note i)	–0.057%	0.102%
Time to expiration (note ii)	3.8 years	4.8 years
Volatility (note iii)	32.14%	28.3%

Notes:

(i) The risk-free rate is with reference to the yields of Japan Sovereign Curve as at the valuation date.

(ii) Time to expiration represents the duration to maturity date which is the date immediately before the sixth anniversary of the Completion Date.

(iii) Volatility is based on the average of the implied volatility of the daily return of comparable stock for 5 years.

39. Share Capital

	Number of shares	Share capital HK$'000
Authorised:		
At 1 April 2017, 31 March 2018 and 31 March 2019 of HK$0.1 each	5,000,000,000	500,000
Issued and fully paid:		
At 1 April 2017, 31 March 2018 and 31 March 2019 of HK$0.1 each	920,062,000	92,006

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

40. Acquisition of additional interests in a subsidiary

On 7 August 2017, the Group entered into an agreement with the shareholders of 華嘉泰(上海)室內遊樂有限公司 ("**Huajiatai**"), a non-wholly owned subsidiary of the Company, to acquire the remaining 49% equity interest of Huajiatai at a cash consideration of HK$120,979,000. An amount of HK$28,726,000 (being the proportionate share of the carrying amount of the net assets of Huajiatai) has been transferred from non-controlling interests during the year ended 31 March 2018.

41. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which include the bank borrowings, guaranteed note, bonds and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. The management of the Group will balance its overall capital structure through the payment of dividends and the issue of new shares as well as the issue of new debts or the redemption of existing debts.

42. Financial Instruments

a. Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at amortised costs	499,371	–
Loans and receivables (including cash and cash equivalents)	–	934,642
Financial assets at FVTPL	3,903	–
Financial assets at FVTOCI	107,900	–
AFS investments	–	35,603
Held-for-trading investments	–	46,173
	611,174	1,016,418
Financial liabilities		
Amortised cost	611,182	547,247
Put option derivatives	440	335
	611,622	547,582

42. Financial Instruments (Continued)

b. Financial risk management objectives and policies

The Group's major financial instruments include financial assets at Financial assets at FVTPL, financial assets at FVTOCI, AFS investments, trade receivables, other receivables, amount due from a director, held-for-trading investments, pledged bank deposits, bank balances and cash, trade and notes payables, other payables and accruals, guaranteed note, bonds, secured bank borrowings, obligation arising from a put option to a non-controlling interest and put option derivatives. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments include market risks (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effectively manner.

Market risk

(i) Currency risk

The carrying amounts of the foreign currency denominated monetary assets and liabilities of the group entities are mainly bank balances and cash, pledged bank deposits, trade and notes payables, secured bank borrowings, obligation arising from a put option to a non-controlling interest and put option derivatives at the reporting date. The directors of the Company consider the Group's exposure to US$ currency risk is minimal since HK$ is pegged to US$. The directors of the Company consider that the Group's exposure on other foreign currency risk is insignificant, accordingly no sensitivity analysis has been presented. The management of the Group continuously monitors the foreign exchange exposure and will consider hedging foreign currency risk should the need arise.

(ii) Interest rate risk

The Group's cash flow interest rate risk and fair value interest rate risk relate primarily to its floating-rate bank balances and bank borrowings, fixed-rate guaranteed note and fixed-rate bonds respectively. The Group has not used any interest rate swaps to mitigate its exposure associated with transactions relating to cash flows interest rate risk. However, the management of the Group will consider hedging significant interest rate exposure should the need arise. In the opinion of management of the Group, the expected changes in interest rates on bank balances and bank borrowings will not be significant in the near future, hence, sensitivity analysis is not presented.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating in two industry sectors quoted in the Stock Exchange.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks on quoted equity investments at the reporting date:

If the prices of the respective quoted equity instruments had been 10% (2018: 10%) higher/lower:

- profit after taxation for the year would increase/decrease by HK$98,000 (2018: HK$2,973,000) as a result of the changes in fair value of financial assets at FVTPL (2018: Held-for-trading investments); and
- investments revaluation reserve would increase/decrease by HK$10,790,000 (2018: HK$3,855,000) as a result of the changes in the fair value of financial assets at FVTOCI (2018: AFS investments).

42. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group is responsible for determination of credit limits, credit approvals and other monetary procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on financial assets individually or based on provision matrix, grouped by past due status. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or state-owned banks located in the PRC.

The Group has concentration of credit risk as 32% (2018: 92%) of the total trade receivables which was due from the Group's five largest customers as of 31 March 2019.

Other than the concentration of the credit risk on trade receivables, the Group does not have any other significant concentration of credit risk.

42. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Maximum credit risk exposure which are subject to ECL assessment as at 31 March 2019

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2019. The amounts presented are gross carrying amounts for financial assets.

		Lifetime ECLs			
	12-month ECLs Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables *	–	–	–	299,264	299,264
Other receivables and deposits					
– Normal **	39,464	–	–	–	39,464
– Doubtful **	–	–	–	7,209	7,209
Amount due from a director					
– Normal **	2,408	–	–	–	2,408
Pledged bank deposits					
– Banks with high credit ratings assigned by international credit-rating agencies	111,253	–	–	–	111,253
Bank balances and cash					
– Banks with high credit ratings assigned by international credit-rating agencies	50,387	–	–	–	50,387

* For trade receivables the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Expect for debtors with significant outstanding balances or credit impaired, the Group determines the ECL on these items by using a provision matrix, grouped by past due status. Details are disclosed in Note 24 to the consolidated financial statements.

** The credit quality of the financial assets included in deposits and other receivables and amount due from a director is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered as "doubtful".

42 . Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and guaranteed note and ensures compliance with covenants of loan and guaranteed note.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The table includes both interest, if applicable, and principal cash flows.

	Weighted average effective interest rate %	On demand or within one year HK$'000	One to five years HK$'000	Over five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 March 2019						
Non-derivative instruments						
Trade and notes payables	–	7,221	–	–	7,221	7,221
Other payables and accruals	–	51,232	–	–	51,232	51,232
Bonds	7.59	21,571	326,575	9,020	357,166	257,528
Guaranteed note	9.50	146,650	–	–	146,650	138,957
Secured bank borrowings	4.16	116,005	–	–	116,005	113,645
Other borrowings	1.92	272	1,087	14,545	15,904	14,160
Obligation under finance lease	4.96	6,754	14,759	–	21,513	19,750
Long term other payable	–	–	1,182	–	1,182	1,182
Obligation arising from a put option to a non-controlling interest (note)	–	–	14,875	–	14,875	7,507
		349,705	358,478	23,565	731,748	611,182
At 31 March 2018						
Non-derivative instruments						
Trade and notes payables	–	18,155	–	–	18,155	18,155
Other payables and accruals	–	49,866	–	–	49,866	49,866
Bonds	6.00	11,580	220,970	3,440	235,990	158,449
Guaranteed note	7.50	207,500	–	–	207,500	196,773
Secured bank borrowings	3.81	118,037	–	–	118,037	116,091
Obligation arising from a put option to a non-controlling interest (note)	–	–	15,464	–	15,464	7,913
		405,138	236,434	3,440	645,012	547,247

Note: The amount represents the maximum exposure on the put price if the put option had been exercised on or after the fifth anniversary of the Completion Date and until the day immediately before the sixth anniversary of Completion Date.

42. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Bank borrowings with a repayment on demand clause are included in the "on demand or within one year" time band in the above maturity analysis. At 31 March 2019, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$113,645,000 (2018: HK$116,091,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements, details of which are set out in the table below:

	Maturity Analysis – Bank borrowings with a repayment on demand clause based on scheduled repayments			
	Within one year HK$'000	Over one year HK$'000	Total undiscounted cash outflows HK$'000	Carrying amount HK$'000
31 March 2019	**104,487**	**11,518**	**116,005**	**113,645**
31 March 2018	101,203	16,834	118,037	116,091

Fair value measurements of financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

42. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Fair value measurements of financial instruments that are measured at fair value on a recurring basis (Continued)

Financial assets/liabilities	Fair value as at 31.3.2019 HK$'000	Fair value as at 31.3.2018 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Financial assets at FVTOCI – listed equity	Assets – HK$107,900	N/A	Level 1	Quoted bid price in an active market	N/A	N/A
Financial assets at FVTPL – unlisted investment funds	Assets – HK$3,903	N/A	Level 2	Quoted price from the fund manager	N/A	N/A
AFS investments – listed equity securities	N/A	Assets – HK$35,603	Level 1	Quoted bid price in an active market	N/A	N/A
Held-for-trading investments – listed equity securities	N/A	Assets – HK$46,173	Level 1	Quoted bid price in an active market	N/A	N/A
Put option derivatives	Liability – HK$440	Liability – HK$335	Level 3	Binomial Option Pricing Model The key inputs are the exercise price, risk-free rate, exercise period, and volatility of the daily return of comparative stock.	Equity value of CA Sega Group is derived by income approach. The key inputs are unaudited consolidated net asset value and cash flow forecast of CA Sega Group and expected return from the investors of 14.7% (2018: 16%) per annum developed using Capital Asset Pricing Model. Volatility is based on the average of the implied volatility of the comparable stocks of 32.1% (2018: 28.3%).	An increase in the forecasted profit would result in a decrease in the fair value, and vice versa. An increase in the expected return from the investors would result in an increase in the fair value, and vice versa. An increase in the volatility would result in an increase in the fair value, and vice versa.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

43. Notes to the Consolidated Statement of Cash Flows

(a) Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable	Secured bank and other borrowings	Amount due to a director	Amount due to a non-controlling interest of a subsidiary	Bonds	Guaranteed note	Obligation under finance lease	Interest payable	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2017	–	94,550	16,587	26,958	–	–	–	925	139,020
Financing cash flows	(18,401)	13,671	(9,455)	(27,291)	153,384	186,079	–	–	297,987
Non-cash transactions									
Waiver/deemed contribution from a director	–	–	(7,928)	–	–	–	–	–	(7,928)
Dividends declared	18,401	–	–	–	–	–	–	–	18,401
Foreign exchange translation	–	2,657	796	–	–	–	–	–	3,453
Finance costs	–	4,512	–	333	11,875	10,861	–	–	27,581
Transfer	–	701	–	–	(6,810)	(167)	–	6,276	–
At 1 April 2018	–	116,091	–	–	158,449	196,773	–	7,201	478,514
Financing cash flows	(21,161)	12,036	–	–	85,113	(62,108)	(1,907)	(33,271)	(21,298)
Non-cash transactions									
Finance lease acquired	–	–	–	–	–	–	22,047	–	22,047
Dividends declared	21,161	–	–	–	–	–	–	–	21,161
Foreign exchange translation	–	(322)	–	–	–	–	(390)	–	(712)
Finance costs	–	–	–	–	13,966	4,292	–	37,105	55,363
At 31 March 2019	–	127,805	–	–	257,528	138,957	19,750	11,035	555,075

(b) Major non-cash transactions

Year ended 31 March 2019

During the year ended 31 March 2019, the Group had the following non-cash transactions:

(i) The Group partially disposed of intangible assets – film rights and applications and animation characters, with carrying amount of HK$2,122,000 in total at a consideration of HK$80,777,000, which is satisfied by 372,585,332 ordinary shares of an entity listed in Hong Kong.

(ii) During the year ended 31 March 2019, additions to property, plant and equipment of HK$22,047,000 (2018: HK$ Nil) were financed by finance lease arrangements.

There were no major non-cash transactions during the year ended 31 March 2018.

44. Capital Commitments

The Group had the following capital commitments:

	2019 HK$'000	2018 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of – acquisition of property, plant and equipment and intangible asset	8,225	10,868

45. Operating Lease Commitment

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 HK$'000	2018 HK$'000
Office and other premises		
Within one year	38,806	42,756
In the second to fifth year inclusive	114,993	59,618
Over five years	13,183	–
	166,982	102,374
Motor vehicles		
Within one year	85	169
In the second to fifth year inclusive	–	85
	85	254

Included in the above are commitments for future minimum lease payments under non-cancellable operating leases payable to the Controlling Shareholder as follows:

	2019 HK$'000	2018 HK$'000
Office and other premises		
Within one year	178	2,036
In the second to fifth year inclusive	355	–
	533	2,036
Motor vehicles		
Within one year	85	169
In the second to fifth year inclusive	–	85
	85	254

Operating lease payments represent rentals payable by the Group for certain of its office and other premises and motor vehicles. Leases are negotiated for three years for motor vehicles and for one to six years for office and other premises. The majority of lease agreements are renewable at the Group's discretion at the end of the lease period at market rentals.

46. Related Party Disclosures

(a) Related party transactions

During the current year, 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 year are as follows:

Name of party	Nature of transaction	2019 HK$'000	2018 HK$'000
Sega Holdings Co., Ltd.	Licensing fee	3,093	4,263
Controlling Shareholder	Rental expense for motor vehicles	169	169
	Rental expense for premises	2,417	2,217

(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 32.

(c) Details of the outstanding balances with other related parties are set out in the consolidated statement of financial position.

(d) Compensation of key management personnel

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

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	8,760	7,267
Retirement benefit schemes contribution	177	249
Incentive performance bonuses	373	373
Share-based payments expense	313	1,603
	9,623	9,492

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

47. 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.

47. Share-Based Payments (Continued)

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

At 31 March 2019, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 12,873,240 (2018: 12,873,240), representing 1.40% (2018: 1.40%) of the shares of the Company in issue at that date. As at 31 March 2019, the number of securities of the Company available for issue under the Scheme was 79,132,960, representing approximately 8.60% of the issued share capital of the Company as at 31 March 2019. 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 1 April 2017	Cancelled during the year ended 31 March 2018	Outstanding at 31 March 2018 and 2019
29 February 2016	29 February 2016–31 August 2016	1 September 2016–28 February 2021	4,291,080	(1,716,432)	**2,574,648**
29 February 2016	29 February 2016–27 February 2017	28 February 2017–28 February 2021	4,291,080	(1,716,432)	**2,574,648**
29 February 2016	29 February 2016–27 February 2018	28 February 2018–28 February 2021	4,291,080	(1,716,432)	**2,574,648**
29 February 2016	29 February 2016–27 February 2019	28 February 2019–28 February 2021	4,291,080	(1,716,432)	**2,574,648**
29 February 2016	29 February 2016–27 February 2020	28 February 2020–28 February 2021	4,291,080	(1,716,432)	**2,574,648**
			21,455,400	(8,582,160)	**12,873,240**
Exercisable at 31 March 2019					**10,298,592**
Exercisable at 31 March 2018					**7,723,944**

47. Share-Based Payments (Continued)

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

	Number of shares under option outstanding at 31 March 2019	2018
Categories of participants		
Directors of the Company	**2,574,648**	2,574,648
Other employees	**6,007,512**	6,007,512
Consultants (note)	**4,291,080**	4,291,080
	12,873,240	12,873,240

Note: The share options were granted to consultants who are providing similar services to employees.

The fair value of the options granted on 29 February 2016 was HK$21,611,000. The fair value was calculated using the Binomial option pricing model. The inputs into the model were as follows:

Closing price of the Company's shares on grant date	HK$2.94
Exercise price	HK$3.03
Risk-free rate*	1.001%
Expected volatility	44.23%
Expected dividend yield	0.34%

* Risk-free rate represents the yields to maturity of Hong Kong Sovereign Curve with respective terms to maturity as at the grant date.

Expected volatility was determined with reference to the annualised standard deviation of the continuously compounded rates of return on the daily average adjusted share price.

During the year ended 31 March 2019, the Group recognised the total expense of HK$1,524,000 (2018: HK$6,047,000) in relation to share options granted by the Company.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

48. Particulars of Subsidiaries of the Company

Particulars of the Company's subsidiaries as at 31 March 2019 and 2018 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group As of 31 March 2019 %	2018 %	Principal activities
Directly held					
China Animation Holding (BVI) Limited 華夏動漫集團(英屬處女島)有限公司	BVI	US$1	100	100	Investment holding
Indirectly held					
China Animation Group Limited 華夏動漫集團有限公司	BVI	HK$1,000,000	100	100	Investment holding and sales of animation derivative products
China Animation Group (HK) Limited 華夏動漫集團(香港)有限公司	Hong Kong	HK$1	100	100	Investment holding
Network China Technology Limited 華夏網路科技有限公司	BVI	US$1	100	100	Investment holding
Network China Technology Limited 華夏網路科技有限公司	Hong Kong	HK$1	100	100	Investment holding and operation of multimedia animation entertainment
深圳華爾德動漫科技有限公司 Shenzhen Wald Animation Technology Company Ltd*#	PRC	RMB500,000	100	100	Animation derivative product design, sales of animation derivative products and multimedia animation entertainment
China Theme Park Limited 中國主題樂園有限公司	BVI	US$1	100	100	Investment holding and promotion and development of indoor theme park business
China Theme Park Incorporation Limited 華夏樂園有限公司	Hong Kong	HK$1	100	100	Investment holding and promotion and development of indoor theme park business
Animate China Technology Limited 華夏動漫科技有限公司	BVI	US$1	100	100	Investment holding
Animate China Technology (HK) Limited 華夏動漫科技(香港)有限公司	Hong Kong	HK$1	100	100	Operation of multimedia animation entertainment
China Animation IP Limited 中國動漫知識產權有限公司	BVI	US$1	100	100	Inactive
華嘉泰(上海)室內遊樂有限公司 HuaJiatai (Shanghai) Indoor Amusement Co., Ltd. *^	PRC	RMB60,000,000	100	100	Operation of indoor theme park in the PRC

48. Particulars of Subsidiaries of the Company (Continued)

Particulars of the Company's subsidiaries as at 31 March 2019 and 2018 are as follows: (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group As of 31 March 2019 %	2018 %	Principal activities
Indirectly held (Continued)					
深圳市前海華夏動漫有限公司 Shenzhen Qianhai Huaxia Animation Company Limited*v ("**Qianhai Huaxia Animation**")	PRC	–^	70	70	Inactive
CA Sega*	Japan	JPY100,000,000	85.1	85.1	Operation of indoor theme park in Japan
華夏世嘉(青島)娛樂遊藝有限公司 CA SEGA (Qingdao) Entertainment Park Co., Ltd*#	PRC	US$17,000,000	85.1	85.1	Operation of indoor theme park in the PRC
Walita Toys (Cambodia) Co., Ltd.	Cambodia	US$485,000	100	100	Inactive
CAG Tactics Cultural Enterprise Company Limited 華夏韜略文化產業有限公司	Hong Kong	HK$10,000	100	100	Inactive
玩得福有限公司 Wonderful Company Limited*v	PRC	RMB100,000,000	100	100	Inactive
華嘉益文化傳播(深圳)有限公司 Huajiayi Cultural Communication (Shenzhen) Company Limited*v	PRC	RMB4,000,000	51	51	Operation of indoor children playground in the PRC
深圳市玩得樂兒童樂園有限公司 Shenzhen Wonderful Theme Park Company Limited*#	PRC	RMB10,000,000	100	100	Inactive
華嘉悦文化傳播(深圳)有限公司 Huajiayue Cultural Communication	PRC	RMB2,310,000	69	69	Inactive
深圳市華誠檢品有限公司 Shenzhen Huacheng Product Inspection Company Limited	PRC	RMB100,000	100	N/A	Inspection of animation derivative products in PRC
Grand Peaceful Global Limited	BVI	US$21,000,000	100	N/A	Operation of multimedia animation entertainment

* The English name is for identification purpose only.

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

v Established in the PRC in the form of sino-foreign equity joint investment.

^ The registered capital of Qianhai Huaxia Animation is RMB5 million but was not paid up at the date of these consolidated financial statements.

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during the year.

The directors of the Company consider the non-wholly owned subsidiaries of the Group have no material non-controlling interest, and accordingly, no summarised financial information in respect of respective subsidiary has been presented.

49. Statement of Financial Position of the Company

	2019 HK$'000	2018 HK$'000
Non-current assets		
Intangible assets	26,035	30,122
Financial assets at fair value through other comprehensive income	21,451	–
Available-for-sale investments	–	35,603
Amounts due from subsidiaries	–	636,808
Pledged bank deposit	14,589	14,996
Interest in subsidiaries	–	48,656
	62,075	766,185
Current assets		
Trade receivables	–	33
Other receivables, deposits and prepayments	4,884	8,382
Amounts due from subsidiaries	992,151	361,113
Pledged bank deposits	96,664	95,835
Bank balances and cash	7,612	4,895
	1,101,311	470,258
Current liabilities		
Other payables and accruals	15,914	12,785
Amount due to a subsidiary	4,458	4,458
Guaranteed note	138,957	196,773
Secured bank borrowings	111,521	116,091
	270,850	330,107
Net current assets	830,461	140,151
Total assets less current liabilities	892,536	906,336
Non-current liability		
Bonds	257,528	158,449
Net assets	635,008	747,887
Capital and reserves		
Share capital	92,006	92,006
Reserves	543,002	655,881
Total equity	635,008	747,887

Chong Heung Chung Jason
DIRECTOR

Ting Ka Fai Jeffrey
DIRECTOR

49. Statement of Financial Position of the Company (Continued)

The movements in the reserves of the Company were as follows:

	Share premium HK$'000	Investment revaluation reserve HK$'000	Share-based compensation reserve HK$'000	Retained profits HK$'000	Total reserves HK$'000
At 1 April 2017	578,726	–	12,998	49,754	641,478
Profit for the year	–	–	–	26,087	26,087
Fair value gain on available-for-sale investments	–	670	–	–	670
Total comprehensive income for the year	–	670	–	26,087	26,757
Dividend recognised as distribution (note 12)	–	–	–	(18,401)	(18,401)
Recognition of equity-settled share-based payments	–	–	6,047	–	6,047
Transfer to retained profits	–	–	(8,374)	8,374	–
At 31 March 2018	578,726	670	10,671	65,814	655,881
Loss for the year	–	–	–	(79,090)	(79,090)
Fair value loss on financial assets at fair value through other comprehensive income	–	(14,152)	–	–	(14,152)
Total comprehensive expense for the year	–	(14,152)	–	(79,090)	(93,242)
Dividend recognised as distribution (note 12)	–	–	–	(21,161)	(21,161)
Recognition of equity-settled share-based payments	–	–	1,524	–	1,524
At 31 March 2019	**578,726**	**(13,482)**	**12,195**	**(34,437)**	**543,002**

FIVE YEARS FINANCIAL SUMMARY

	Year ended March 31				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**632,881**	801,459	770,651	544,880	488,283
Cost of sales and services	**(474,205)**	(579,123)	(503,571)	(376,764)	(301,348)
Gross Profit	**158,676**	222,336	267,080	168,116	186,935
Other income	**7,515**	6,047	2,272	2,977	212
Other gains and losses	**78,650**	(31,878)	(16,918)	–	–
Selling and distribution expenses	**(22,840)**	(39,778)	(22,584)	(19,694)	(3,590)
Administrative expenses	**(93,129)**	(88,937)	(76,644)	(47,474)	(30,958)
Research and development expenses	**(17,986)**	(17,843)	(6,106)	12,219	–
Share of result of an associate	**–**	(25)	(16)	–	–
Finance costs	**(55,363)**	(27,581)	(3,175)	(805)	–
Impairment loss on trade and other receivables	**(10,614)**	–	–	–	–
Other expense	**(188)**	(875)	(16,084)	(1,598)	(753)
Listing expenses	**–**	–	–	–	(56,706)
Profit before taxation	**44,721**	21,466	127,825	113,741	95,140
Taxation	**14,843**	(224)	(23,753)	(15,351)	(23,169)
Profit for the year	**59,564**	21,242	104,072	98,390	71,971
Other comprehensive income (expense):					
Item that may be reclassified to profit or loss:					
Remeasurement of defined benefit plans	**838**	690	197	–	–
Items that may be reclassified subsequently differences arising on translation of:					
– subsidiaries	**(10,485)**	15,233	(3,745)	1,347	91
– associate	**(451)**	603	–	–	–
Fair value gain on available-for-sale investments	**–**	670	–	–	–
Fair value loss on financial assets at fair value through other comprehensive income	**(54,654)**	–	–	–	–
Other comprehensive (expense) income for the year	**(64,752)**	17,196	(3,548)	1,347	91
Total comprehensive (expense) income for the year	**(5,188)**	38,438	100,524	99,737	72,062
Profit for the year attributable to:					
Owners of the Company	**58,372**	20,790	94,840	110,372	75,632
Non-controlling interests	**1,192**	452	9,232	(11,982)	(3,661)
	59,564	21,242	104,072	98,390	71,971
ASSETS AND LIABILITIES					
Total assets	**1,674,874**	1,664,578	1,438,197	963,044	714,868
Total liabilities	**(786,239)**	(752,932)	(441,454)	(272,559)	(159,658)
Net assets	**888,635**	911,646	996,743	690,485	555,210
Total equity attributable to owners of the Company	**882,244**	910,982	971,892	670,422	558,258
Non-controlling interests	**6,391**	664	24,851	20,063	(3,048)
Total equity	**888,635**	911,646	996,743	690,485	555,210