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華夏文化科技集團
CA CULTURAL TECHNOLOGY GROUP

CA CULTURAL TECHNOLOGY GROUP LIMITED

華夏文化科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01566)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

31 MARCH 2022 FINANCIAL HIGHLIGHTS

- Revenue was approximately HK\$453.1 million for the year ended 31 March 2022, representing a decrease of approximately 5.3% as compared with approximately HK\$478.3 million for the year ended 31 March 2021.
- Gross profit was approximately HK\$63.4 million for the year ended 31 March 2022, representing a significant decrease of approximately 62.2% as compared with approximately HK\$167.7 million for the year ended 31 March 2021. Gross profit margin for the year ended 31 March 2022 was approximately 14.0%, representing a significant decrease of approximately 21.1% as compared with approximately 35.1% for the year ended 31 March 2021.
- Loss attributable to owners of the Company was approximately HK\$375.1 million, as compared with a profit of approximately HK\$83.1 million for the year ended 31 March 2021.
- Basic loss per share amounted to approximately 37 HK cents for the year ended 31 March 2022, as compared with basic earnings per share of approximately 9 HK cents for the year ended 31 March 2021.

For the reasons explained below under “Review of Unaudited Annual Results”, the auditing process for the 2022 annual results of CA Cultural Technology Group Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) has not been completed. The unaudited consolidated annual results of the Company for the year ended 31 March 2022 have not been agreed with the auditor of the Company.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to present the unaudited consolidated annual results of the Group for the year ended 31 March 2022, together with the comparative figures, as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Revenue	3	453,136	478,309
Cost of sales and services		(389,755)	(310,609)
Gross profit		63,381	167,700
Other income		10,455	8,370
Other gains and losses	4	1,208	52,558
Selling and distribution expenses		(14,954)	(12,895)
Administrative expenses		(100,039)	(87,020)
Research and development expenses		(11,243)	(10,807)
Share of (loss)/profit of a joint venture		(8,470)	8,709
Share of profit of associates		8,621	8,773
Finance costs		(56,457)	(88,659)
(Impairment loss)/reversal of impairment loss under expected credit loss model, net of reversal		(295,203)	5,227
(Loss)/profit before taxation		(402,701)	51,956
Taxation	5	18,679	19,026
(Loss)/profit for the year	6	(384,022)	70,982
Other comprehensive income (expense):			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurement of defined benefit plans		(3,177)	(1,124)
Fair value (loss)/gain on financial assets at fair value through other comprehensive income			
– investment in equity instrument at fair value through other comprehensive income		(9,567)	75,536
– hedging instruments for fair value hedge		–	(65,202)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of:			
– subsidiaries		6,982	(2,452)
Other comprehensive (expense)/income for the year		(5,762)	6,758
Total comprehensive (expense)/income for the year		(389,784)	77,740

	<i>Notes</i>	2022 HK\$'000 (Unaudited)	2021 <i>HK\$'000</i> (Audited)
(Loss)/profit for the year attributable to:			
Owners of the Company		(375,051)	83,086
Non-controlling interests		(8,971)	(12,104)
		<u>(384,022)</u>	<u>70,982</u>
 Total comprehensive (expense)/income attributable to:			
Owners of the Company		(381,450)	90,196
Non-controlling interests		(8,334)	(12,456)
		<u>(389,784)</u>	<u>77,740</u>
 (Loss)/earnings per share	 8		
– Basic (HK\$)		(0.37)	0.09
– Diluted (HK\$)		(0.37)	0.09
		<u>(0.37)</u>	<u>0.09</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		276,077	304,774
Right-of-use assets		122,739	153,261
Goodwill		2,425	2,450
Intangible assets	<i>10</i>	224,268	261,364
Interest in associates	<i>11</i>	225,444	215,824
Interest in a joint venture	<i>12</i>	100,359	108,829
Financial assets at fair value through other comprehensive income	<i>9</i>	48,700	48,007
Deposits for acquisition of property, plant and equipment		122,492	370,619
Rental deposits		15,835	16,788
		1,138,339	1,481,916
Current assets			
Inventories		1,500	861
Trade receivables	<i>13</i>	193,637	226,243
Other receivables, deposits and prepayments	<i>14</i>	482,995	435,025
Financial assets at fair value through profit or loss		839	805
Restricted bank balances		718	4,523
Pledged bank deposits		3,725	3,565
Bank balances and cash		20,955	56,012
		704,369	727,034

	<i>Notes</i>	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Current liabilities			
Trade payables	16	15,600	1,367
Other payables and accruals		104,127	94,408
Amount due to a director	15	–	562
Contract liabilities		5,183	85,003
Tax payable		67,189	84,794
Guaranteed note		20,000	78,991
Bonds		320,183	199,397
Lease liabilities		35,349	36,426
Bank and other borrowings	17	94,622	21,353
		<u>662,253</u>	<u>602,301</u>
Net current assets		<u>42,116</u>	<u>124,733</u>
Total assets less current liabilities		<u>1,180,455</u>	<u>1,606,649</u>
Non-current liabilities			
Bonds		65,815	158,704
Bank and other borrowings	17	111,957	80,664
Lease liabilities		90,214	118,651
Long term other payables		297	595
Deferred tax liabilities		–	910
Contract liabilities		28,280	40,222
Provision for reinstatement costs for rented premises		29,483	31,980
Obligation arising from a put option to a non-controlling interest		3,065	3,065
Put option derivatives		1,517	1,517
		<u>330,628</u>	<u>436,308</u>
Net assets		<u>849,827</u>	<u>1,170,341</u>
Capital and reserves			
Share capital		118,204	98,170
Reserves		742,159	1,074,373
Equity attributable to owners of the Company		860,363	1,172,543
Non-controlling interests		(10,536)	(2,202)
Total equity		<u>849,827</u>	<u>1,170,341</u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. CORPORATE INFORMATION

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

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

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

In addition, the Group has early applied the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions* beyond 30 June 2021, and the agenda decision of the IFRS Interpretations Committee (the “**Committee**”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

Impacts on application of Amendment to HKFRS 16 *Covid-19-Related Rent Concessions* beyond 30 June 2021

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 *Leases* (“**HKFRS 16**”) by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application has had no impact to the opening retained profits at 1 April 2021.

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* (“HKFRS 7”).

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year.

Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group’s accounting policy prior to the Committee’s agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee’s agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee’s agenda decision has had no material impact on the Group’s financial positions and performance.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

³ Effective for annual periods beginning on or after a date to be determined.

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

Amendments to HKFRS 3 *Reference to the Conceptual Framework*

The amendments:

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

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

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

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

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

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

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

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

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

Based on the Group’s outstanding liabilities as at 31 March 2022, the application of the amendments will not result in reclassification of the Group’s liabilities as at 31 March 2022.

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

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

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

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

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

Amendments to HKAS 8 *Definition of Accounting Estimates*

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

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

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

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

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

As disclosed in note 3 to the consolidated financial statements, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 March 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK\$122,739,000 and HK\$125,563,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

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

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

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

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

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

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

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

Amendments to HKFRSs Annual Improvements to HKFRSs 2018-2020

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

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

HKFRS 16 Leases

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

HKAS 41 Agriculture

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

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

3. REVENUE 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.

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

(a) Disaggregation of revenue from contracts with customers

	2022	2021
	HK\$’000	HK\$’000
	(Unaudited)	(Audited)
Sales of animation derivative products	161,362	139,201
Sales of admission tickets	143,994	106,817
Sales of theme park machineries	127,583	35,667
Licensing income of indoor theme parks	1,114	–
Revenue from multimedia animation entertainment	19,083	83,624
Revenue from provision of theme park design and consultancy service	–	113,000
	453,136	478,309

No further analysis is presented for animation derivative products as such information is not regularly provided to the chief operating decision maker (“CODM”) and the cost to develop it would be excessive.

Timing of revenue recognition:

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
At point in time	433,268	450,314
Over time	19,868	27,995
	453,136	478,309

(b) Performance obligations for contracts with customers

Sales of animation derivative products

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

Sales of admission tickets

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

Sales of theme park machineries

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

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

Licensing income

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

The licensing income is included in the segment revenue of multimedia animation entertainment and establishment and operation of theme park.

Provision for theme park design and consultancy services

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

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

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

	Establishment and operation of indoor theme park	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within one year	1,813	81,182
More than one year but not more than two years	26,625	3,414
More than two years	13,656	15,363
	42,094	99,959

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contracts for sales of animation derivative products, sales of admission tickets of indoor theme parks and sales of indoor theme park machineries such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of animation derivative products and sales of admission tickets of indoor theme parks that had an original expected duration of one year or less.

(ii) **Segment information**

(a) *Segment revenue and results*

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

	Sales of animation derivative products <i>HK\$'000</i>	Establishment and operation of indoor theme parks <i>HK\$'000</i>	Multimedia animation entertainment <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 March 2022				
(Unaudited)				
Segment revenue	<u>161,362</u>	<u>272,691</u>	<u>19,083</u>	<u>453,136</u>
Segment profit/(loss)	<u>38,346</u>	<u>(63,744)</u>	<u>(246,837)</u>	<u>(272,235)</u>
Unallocated expense				(82,651)
Unallocated other income, other gains and losses				908
Unallocated finance cost				(48,723)
Loss before tax				<u>(402,701)</u>
For the year ended 31 March 2021				
(Audited)				
Segment revenue	<u>139,201</u>	<u>255,484</u>	<u>83,624</u>	<u>478,309</u>
Segment profit	<u>33,918</u>	<u>53,064</u>	<u>81,585</u>	<u>168,567</u>
Unallocated income				5,227
Unallocated expenses				(75,985)
Unallocated other income, other gains and losses				35,509
Unallocated finance costs				<u>(81,362)</u>
Profit before taxation				<u>51,956</u>

(i) There was no inter-segment revenue for the years ended 31 March 2022 and 2021.

(b) *Segment assets and liabilities*

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

Segment assets

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Sales of animation derivative products	157,674	140,401
Establishment and operation of indoor theme parks	853,118	953,953
Multimedia animation entertainment	609,899	865,070
	<hr/>	<hr/>
Total segment assets	1,620,691	1,959,424
Property, plant and equipment	673	4,816
Interest in associates	91,609	91,196
Right-of-use assets	590	2,358
Other receivables, deposits and prepayments	51,783	35,794
Goodwill	2,425	2,450
Financial assets at FVTPL	839	805
Financial assets at FVTOCI	48,700	48,007
Restricted bank deposit	718	4,523
Pledged bank deposits	3,725	3,565
Bank balances and cash	20,955	56,012
	<hr/>	<hr/>
Consolidated assets	1,842,708	2,208,950

Segment liabilities

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Sales of animation derivative products	12,430	4,254
Establishment and operation of indoor theme parks	240,074	350,440
	<hr/>	<hr/>
Total segment liabilities	252,504	354,694
Other payables and accruals	55,005	50,342
Contract liabilities	–	200
Amount due to a director	–	562
Secured bank borrowings and other borrowings	206,579	102,017
Tax payable	67,189	84,794
Lease liabilities	726	2,820
Deferred tax liabilities	–	910
Bonds	385,998	358,101
Guaranteed note	20,000	78,991
Obligation arising from a put option to a non-controlling interest	3,065	3,065
Put option derivatives	1,517	1,517
Long-term payable	298	596
	<hr/>	<hr/>
Consolidated liabilities	992,881	1,038,609

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

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

(c) *Other segment information*

	Sales of animation derivative products HK\$'000	Establishment and operation of indoor theme parks HK\$'000	Multimedia animation entertainment HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Total HK\$'000
For the year ended 31 March 2022						
(Unaudited)						
Amounts included in the measurement of segment profit or loss and segment assets:						
Additions to property, plant and equipment and right-of-use assets	-	8,341	-	8,341	-	8,341
Depreciation and amortisation of property, plant and equipment, intangible assets and right-of-use assets	2,760	72,691	33,454	108,905	5,911	114,816
Share of profit/(loss) of associates	-	-	9,209	9,209	(588)	8,621
Share of loss of a joint venture	-	-	(8,470)	(8,470)	-	(8,470)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:						
Taxation	(22,458)	3,779	-	(18,679)	-	(18,679)

	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
For the year ended 31 March 2021 (Audited)						
Amounts included in the measurement of segment profit or loss and segment assets:						
Additions to property, plant and equipment, right-of-use assets and intangible assets	-	8,548	73,703	82,251	-	82,251
Depreciation and amortisation of property, plant and equipment, intangible assets and right-of-use assets	2,808	74,707	33,213	110,728	10,507	121,235
Share of profit of associates	-	193	8,927	9,120	(347)	8,773
Share of profit of a joint venture	-	-	8,709	8,709	-	8,709
(Loss)/gain on disposal of property, plant and equipment	-	(3,053)	21,293	18,240	-	18,240
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:						
Interest income	-	-	-	-	111	111
Interest expense	-	-	-	-	81,362	81,362
Taxation	(18,516)	(510)	-	(19,026)	-	(19,026)

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

All the segment revenue reported above is from external customers.

(d) Geographical information

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

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

Revenue from external customers

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
PRC	204,329	267,334
Hong Kong	60,055	43,035
Japan	188,752	167,940
	453,136	478,309

Non-current assets by geographical location

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
PRC*	919,717	1,237,578
Hong Kong	2,539	8,086
Japan	87,556	104,709
Cambodia	63,992	66,748
	1,073,804	1,417,121

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

* As at 31 March 2022, the carrying amount of trademark arising from acquisition of subsidiaries included HK\$Nil (2021: HK\$3,639,000) which is allocated to the PRC as it is expected to be used in the PRC.

Information about major customers

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

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Customer A ¹	96,589	N/A*
Customer B ²	60,055	N/A*
Customer C ³	–	125,000

1. Revenue from sales of theme park machineries and licensing of theme park operation right.
2. Revenue from sales of animation derivative products.
3. Revenue from provision of theme park design and consultancy service and licensing of intangible assets.

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

4. OTHER GAINS AND LOSSES

	<i>Note</i>	2022 HK\$'000 (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Net exchange gain		1,051	730
Net gain on a put option to a non-controlling interest		–	3,365
Gain from changes in fair value of financial assets mandatorily measured at FVTPL		–	37,681
Net gain on disposal of property, plant and equipment		–	18,240
Loss on extinguishment of financial liability	9	–	(5,483)
Loss arising from acquisition of an associate	11	–	(2,469)
Other gain		157	494
		1,208	52,558

5. TAXATION

The tax (credit) charge comprises:

	2022 HK\$'000 (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Hong Kong Profits Tax:		
Current tax	4,337	4,084
Overprovision in prior years	(26,795)	(22,600)
PRC Enterprise Income Tax (“EIT”)	4,407	–
Corporate tax in Japan		
Current tax	217	804
	(17,834)	(17,712)
Deferred taxation for the year	(845)	(1,314)
	(18,679)	(19,026)

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 23.25% (2021: 23.25%) on the estimated assessable profit. Pursuant to relevant laws and regulations in Japan, withholding tax is imposed at 20.42% (2021: 20.42%) and 20.42% (2021: 5%) on dividends declared to local investors and foreign investors, respectively, in respect of profit generated by subsidiaries incorporated in Japan.

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 2022, 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 2015/16 in respect of its offshore income claim is low. Accordingly, the tax provision of approximately HK\$26,795,000 for the year of assessment 2015/16 was reversed during the year ended 31 March 2022 (2021: HK\$22,600,000 for the year of assessment 2014/15).

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 2022, the offshore profits claims are still under review by the IRD. The directors of the Company are of the opinion that in the event that the offshore profits claims in respect of the trading income are not accepted but the offshore profits claims in respect of the licensing income are accepted by the IRD, the estimated outstanding tax payable by the Group as at 31 March 2022 would be HK\$47,620,000 after considering the overprovision of year of assessment 2015/16 (2021: HK\$70,094,000 for the overprovision of year of assessment 2014/15). The directors believe that the Group has made appropriate provision in respect of the possible tax liability.

6. (LOSS)/PROFIT FOR THE YEAR

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
(Loss)/profit for the year has been arrived at after charging:		
Staff costs:		
Directors' emoluments	5,100	4,836
Other staff costs		
Salaries and other benefits	68,943	74,723
Retirement benefit schemes	9,506	9,980
Defined benefits costs	1,680	1,947
Share-based payments expense	2,562	–
	87,791	91,486
Auditor's remuneration		
– audit services	2,500	3,062
– non-audit services	–	–
	2,500	3,062
Cost of inventories recognised as expenses	197,025	111,347
Depreciation of property, plant and equipment		
– Cost of sales and services	34,844	34,334
– Administrative expenses	7,230	11,758
Impairment loss/(reversal of impairment loss) under expected credit loss model, net of reversal		
– Trade receivables	50,480	(6,823)
– Other receivables and deposits	244,723	1,596
Depreciation of right-of-use assets		
– Cost of sales and services	33,551	32,986
– Administrative expenses	2,355	3,648
– Research and development cost	–	457
Amortisation of intangible assets (included in cost of sales and services)	28,015	30,391
Amortisation of intangible assets (included in administrative expenses)	8,821	7,661

7. DIVIDENDS

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Dividends recognised as distributions during the year:		
– Nil (2021: Final dividend of nil cents per share for the year ended 31 March 2020)	–	–

The Board does not recommend the payment of a final dividend for the year ended 31 March 2022 (2021: Nil).

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to owners of the Company of HK\$375,051,000 (2021: profit of HK\$83,086,000) and the weighted average of 1,012,458,000 ordinary shares (2021: 955,289,000 ordinary shares) in issue during the year.

(b) Diluted (loss)/earnings per share

For the years ended 31 March 2022 and 2021, diluted (loss)/earnings per share attributable to owners of the Company were the same as basic earnings per share because the impact of the exercise of the Company's share options was anti-dilutive.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at FVTOCI include the following:

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Equity securities listed in Hong Kong (i)	8,700	8,007
Unlisted equity investments (ii)	40,000	40,000
	<u>48,700</u>	<u>48,007</u>

- (i) The above listed equity investments represent ordinary shares of an entity listed in Hong Kong. These investments are not held for trading and instead, they are held for long-term strategic purposes. The Directors have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

In June 2020, the Group has signed 2 forward contracts (“the forward contracts”) with two separate independent third parties (“the 2 Parties”) to sell 372,585,332 listed ordinary shares of Aceso Life (“the Aceso shares”) held by the Group and which were classified as the Group's financial assets at FVTOCI to the 2 Parties, at the forward price of HK\$0.225 per share of Aceso in future date of 8 September 2020, regardless of the market value of the stock at the future date. Accordingly, the Group has recognised fair value loss of approximately HK\$65,202,000 through other comprehensive expense from the forward contracts during the year ended 31 March 2021.

Subsequent to the execution of the sales and purchase agreement (“**SP&A**”) with regard to the acquisition (“**the acquisition**”) of Access Profit Global Enterprises Limited (“**Access Profit**”) and completion of the acquisition (see Note 11(c)), the vendor has transferred the consideration bonds of aggregate principal amount HK\$94,000,000 (“**the Bonds**”) issued by the Group to the 2 Parties, and the Group has signed another bond redemption agreement with the 2 Parties to redeem the Bonds and settled the forward contracts on 7 September 2020 and 8 September 2020 by means of transferring the Aceso shares at forward price of HK\$0.225 (aggregate contracted value was approximately HK\$83,832,000), and Aceso Convertible Notes of aggregate principal amount of HK\$10,000,000 with zero coupon, which fair value was measured to be approximately HK\$15,652,000 on the date of redemption by an external independent valuer, Vincorn Consulting and Appraisal Limited, to the 2 parties. The Company has recognized loss of approximately HK\$5,483,000 upon redemption of the Bonds in the other gains and losses of the consolidated profit or loss for the year ended 31 March 2021.

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

- (ii) In February 2021, the Group entered into a subscription agreement pursuant to which the Group agreed to subscribe for shares of a limited partnership incorporated in the PRC (the “**Investment**”), as a limited partner, for an aggregate consideration of HKD40,000,000, which was settled by transferring the Group’s Aceso Life Convertible Note of aggregate Principal amount of HK\$40,000,000 with zero coupon, which fair value was measured to be approximately HK\$40,000,000 on the date of subscription of the Investment by an external independent valuer, Vincorn Consulting and Appraisal Limited, to the vendor. The Group, as a limited partner in the Investment, does not have the power to participate in the financial and operating policy decisions of the Investment. As such, the Group does not have significant influence over the Investment. The shares of the Investment held by the Group represent 0.145% of the issued equity capital of the Investment as at 31 March 2022 and 2021. The directors of the Company have elected to designate these investments in equity instrument at FVTOCI as they believe that recognizing short-term fluctuations in these investments’ fair value in profit or loss would not be consistent with the Group’s strategy of holding this investment for long term-purpose and realizing their performance potential in the long run.

10. INTANGIBLE ASSETS

	Film rights and applications <i>HK\$'000</i> <i>(note i)</i>	Animation characters <i>HK\$'000</i> <i>(note ii)</i>	Indoor theme park right <i>HK\$'000</i> <i>(note iii)</i>	Trademark <i>HK\$'000</i> <i>(note iv)</i>	Total <i>HK\$'000</i>
COST					
At 1 April 2020	192,788	65,906	2,279	26,517	287,490
Addition on acquisition of a subsidiary (<i>Note 18</i>)	–	46,364	–	–	46,364
Exchange adjustments	–	–	–	(465)	(465)
At 31 March 2021 (Audited)	192,788	112,270	2,279	26,052	333,389
Exchange adjustments (Unaudited)	–	–	–	(260)	(260)
At 31 March 2022	192,788	112,270	2,279	25,792	333,129
AMORTISATION					
At 1 April 2020	9,022	6,426	1,368	17,157	33,973
Charge for the year	26,097	6,471	228	5,256	38,052
At 31 March 2021 (Audited)	35,119	12,897	1,596	22,413	72,025
Charge for the year (Unaudited)	25,598	7,630	229	3,379	36,836
At 31 March 2022 (Unaudited)	60,717	20,527	1,825	25,792	108,861
CARRYING VALUES					
At 31 March 2022 (Unaudited)	132,071	91,743	454	–	224,268
At 31 March 2021 (Audited)	157,669	99,373	683	3,639	261,364

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 gaming applications. Film rights and applications are stated at cost less accumulated amortisation and accumulated impairment losses. The costs of film rights and applications are amortised on a straight-line basis over their estimated useful lives starting from the completion of films and applications.

- (ii) Animation characters represent the acquired intellectual properties in the form of trademarks and copyrights of various animation brands and related characters under the ownership of the Group. The animation character brand name entitle the Group to generate licensing income for 5 to 10 years from the date of acquisition. The net carrying amount will therefore be amortised over the remaining useful lives of 5 to 10 years.

During the year ended 31 March 2021, the Group has acquired copyrights of a series of animation characters through acquisition of a subsidiary, Flourishing Emerald Limited, with carrying amount of HK\$42,887,000 as at 31 March 2021. See Note 18 for details.

- (iii) Indoor theme park right represents the acquired intellectual property rights in the form of trademarks and know-how under a licensing agreement (the “**Licensing Agreement**”) with SEGA Corporation, a Japanese corporation. The term of the Licensing Agreement is 10 years from the date of the Licensing Agreement which is renewable subject to negotiation among the parties concerned.
- (iv) 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	2–10 years
Animation characters	5 to 10 years
Indoor theme park right	10 years
Trademark	5 years

11. INTEREST IN ASSOCIATES

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Cost of unlisted investment	208,598	207,598
Share of post-acquisition profit and other comprehensive income	16,847	8,226
Exchange adjustments	(1)	–
	<u>225,444</u>	<u>215,824</u>

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

Name of associate	Place of establishment	Paid up registered capital	Proportion of equity interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2022	2021	2022	2021	
常州江南環球港華夏動漫科技有限公司 (Changzhou Southern Yangtze Global Harbor Chinese Animation Technology Co., Ltd) ("Changzhou Joypolis")	PRC	RMB25,000,000	20%	20%	20%	20%	Operation of indoor theme park
Triple Blessing International Limited ("Triple Blessing")	BVI	HK\$138,121,000	48%	48%	48%	48%	Development and licensing of IP rights
Lion Run Holdings Limited ("Lion Run")	BVI	HK\$91,875,000	48%	48%	48%	48%	Development and licensing of IP rights
Access Profit Global Enterprises Group Limited ("Access Profit")	BVI	HK\$295,263,000	31%	31%	31%	31%	Development of logistic and storage business

Note:

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

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

(a) Triple Blessing

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Non-current assets	127,761	134,668
Current assets	29,250	12,597
Revenue for the year	46,800	13,000
Profit for the year	9,746	9,144
Other comprehensive income for the year	–	–
Total comprehensive income for the year	<u>9,746</u>	<u>9,144</u>

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

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Net assets of Triple Blessing	157,011	147,265
Proportion of the Group's ownership interest in Triple Blessing	<u>48%</u>	<u>48%</u>
Carrying amount of the Group's interest in Triple Blessing	<u>75,365</u>	<u>70,687</u>

On 25 September 2020, the Group acquired of 51% equity interest in Triple Blessing out of which 3% was undertaken by the Group on the same date to hold for and on behalf of the vendor by a deed of undertaking, and, therefore, the Group only beneficially entitled to 48% equity interest. Triple Blessing held intellectual property intangible assets at the acquisition date and the management of the Group concluded that the acquired set of activities and assets of Triple Blessing is not a business. The consideration is satisfied by convertible notes issued by Aceso Life Science Group Limited (formerly known as Hao Tian Development Group Limited) (“**Aceso Life**”), a company listed on the Main Board of the Hong Kong Stock Exchange, which was recognised as financial assets at FVTPL of the Group (the “**Convertible Notes**”) in principal amount of HK\$50,000,000 with zero interest. The cost of acquisition of the Group’s interests in Triple Blessing was determined based on the fair value of the Convertible Notes in principal amount of HK\$50,000,000 at the acquisition completion date of approximately HK\$66,298,000, which were measured by an external independent valuer, Vincorn Consulting and Appraisal Limited.

(b) Access Profit

	2022 <i>HK\$’000</i> (Unaudited)	2021 <i>HK\$’000</i> (Audited)
Non-current assets	302,545	302,545
Current assets	387	51,617
Current liabilities	(10,683)	(60,018)
Other income	–	3,524
Loss for the year	(1,894)	(1,119)
Other comprehensive loss for the year	–	–
Total comprehensive loss for the year	(1,894)	(1,119)

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

	2022 <i>HK\$’000</i> (Unaudited)	2021 <i>HK\$’000</i> (Audited)
Net assets of Access Profit	292,249	294,144
Proportion of the Group’s ownership interest in Access Profit	31%	31%
Carrying amount of the Group’s interest in Access Profit	90,597	91,185

On 3 September 2020, the Group entered into a sales and purchase agreement (“**SP&A**”) with the vendor of Access Profit, to acquire 31% equity interest in Access Profit, which indirectly wholly owned subsidiary holds a leasehold land in the PRC (“**the Land**”) at the acquisition date, at a consideration of HK\$94,000,000, which was satisfied by the issuance of bonds (“**the bonds**”) at face value of HK\$94,000,000. At the acquisition date, the Land is for future development of logistic and storage business and the management of the Group concluded that the acquired set of activities and assets of Access Profit and its subsidiaries do not constitute a business. The difference of the fair value of the consideration of HK\$94,000,000 and the Group’s share of net assets of Access Profit, amounting to approximately HK\$2,469,000, was recognized as other gain and losses in the consolidated profit or loss during the year ended 31 March 2021.

(c) **Lion Run**

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Non-current assets	85,750	90,344
Current assets	25,031	10,985
Current liabilities	(14)	–
Revenue for the year	40,050	11,125
Profit for the year	9,439	9,454
Other comprehensive income for the year	–	–
Total comprehensive income for the year	9,439	9,454

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

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Net assets of Lion Run	110,767	101,329
Proportion of the Group's ownership interest in Lion Run	48%	48%
Carrying amount of the Group's interest in Lion Run	53,168	48,638

On 8 December 2020, the Group acquired 51% equity interest in Lion Run, out of which 3% was undertaken by the Group on the same date to hold for and on behalf of the vendor by a deed of undertaking, and therefore, the Group only beneficially entitled 48% equity interest. Lion Run only held intangible assets at the acquisition date and the management concluded that the acquired set of activities and assets is not a business.

Based on a supplementary agreement, the consideration is satisfied by the issue of 17,640,000 new ordinary shares of the Company of HK\$0.1 each at issue price of HK\$2.5 per share, which is also the fair value of the shares at acquisition date of Lion Run used for the cost of acquisition of the interests in Lion Run.

12. INTEREST IN A JOINT VENTURE

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Cost of investment in a joint venture	100,120	100,120
Share of post-acquisition profits and other comprehensive income	239	8,709
	100,359	108,829

Details of the Group's joint venture as at 31 March 2022 are as follows:

Name of joint venture	Place of establishment	Paid up registered capital	Proportion of equity interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2022	2021	2022	2021	
Success View Global Limited ("Success View")	BVI	USD25,770,100	50%	50%	50%	50%	Multimedia animation entertainment business

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

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Success View		
Current assets	20,613	27,484
Non-current assets	175,880	185,931
Current liabilities	(87)	(69)
Revenue	41,225	54,967
(Loss)/profit for the year	(16,940)	17,419
Other comprehensive income for the year	–	–
Total comprehensive (expense)/income for the year	<u>(16,940)</u>	<u>17,419</u>

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

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Net assets of Success View	196,406	213,346
Proportion of the Group's ownership interest in Success View	50%	50%
Goodwill	2,156	2,156
Carrying amount of the Group's interest in Success View	<u>100,359</u>	<u>108,829</u>

13. TRADE RECEIVABLES

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Trade Receivables	254,370	236,496
Less: accumulated impairment losses	(60,733)	(10,253)
	<u>193,637</u>	<u>226,243</u>

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 Group allows a credit period of 365 days to its customers with strategic business relationship who obtained theme park design and consultancy service from the Group.

The following is an aged analysis of trade receivables (net of provision of ECL) presented based on the invoice dates:

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
0 to 90 days	33,252	33,748
91 to 180 days	1,362	121,289
181 to 365 days	21,615	66,240
Over 365 days	137,408	4,966
	193,637	226,243

Included in trade receivables aged within 91 to 180 days, 181 to 365 days and over 365 days are the receivable balance of approximately HK\$Nil (2021: HK\$117,000,000), HK\$Nil (2021: HK\$39,400,000) and HK\$156,000,000 (2021: HK\$Nil) respectively, which arose from the revenue generated from provision of integrated theme park design services and the licensing fee for use of the Group's intangible assets to the Group's two customers of who are business partners with renowned property developers in the PRC, in which billings were made one-off, whilst the related revenue were recognised at a point in time upon acceptance and approval of theme park design package and licence right by the customers.

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

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

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
0 to 90 days	128,585	13,472
91 to 180 days	7,553	8,212
181 to 365 days	27,954	8,977
Over 365 days	–	–
	164,092	30,661

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

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
United States Dollars ("US\$")	27,705	29,097

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<i>Note</i>	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Proceeds receivable from disposal of intangible assets		176,536	176,536
Rental deposit		5,609	5,558
VAT recoverable		414	3,220
Deposits refundable from a game developer		25,113	25,113
Other receivables		10,206	7,013
Proceeds receivable from disposal of property, plant and equipment		132,831	138,879
Prepayments	<i>(i)</i>	84,293	84,180
Amounts due from associates		29	69
Amount due from a joint venture		87	–
Deposit refundable from construction vendors	<i>(ii)</i>	298,127	–
Interest receivable		–	6
Deposit paid		369	347
		733,614	440,921
Less: Allowance for credit loss		(250,619)	(5,896)
		482,995	435,025

Notes:

- (i) As at 31 March 2022, included in the balance of prepayments is a prepayment for purchase of animation derivative products made to the main supplier of the Group, amounting to approximately HK\$40,369,000 (2021: HK\$34,000,000), no prepayment to various vendors of interior design and suppliers of indoor theme park facilities (2021: HK\$23,217,000), and prepayments of commission to bond placement agencies amounting to approximately HK\$42,004,000 (2021: HK\$20,560,000).
- (ii) During the year ended 31 March 2022, the Group has renegotiated terms with certain construction vendors to request for refund of the amount previously paid for construction of various theme parks within one year after the end of the reporting period.

15. AMOUNT DUE TO A DIRECTOR

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Chong Heung Chung, Jason	–	562

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

16. TRADE PAYABLES

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Trade payables	15,600	1,367
	15,600	1,367

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	9,990	1,150
Over 90 days	5,610	217
	15,600	1,367

17. BANK BORROWINGS AND OTHER BORROWINGS

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Bank borrowings and overdraft	115,540	87,980
Other borrowings	91,039	14,037
	206,579	102,017

(i) Bank borrowings

The carrying amount of the bank borrowing are repayable

Within one year	20,237	21,353
Within a period of more than one year but not exceeding two years	13,390	11,094
Within a period of more than two years but not exceeding five years	50,808	24,111
More than five years	31,105	31,422
	115,540	87,980

Carrying amount of bank borrowings which contain repayment on demand clause

	–	–
	115,540	87,980
Less: Amount due within 1 year shown under current liabilities	(20,237)	(21,353)
Amount of bank borrowing shown under non-current liabilities	95,303	66,627

(ii) **Other Borrowings**

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
The carrying amount of the other borrowings is repayable		
Within one year	74,385	–
Within a period of more than one year but not exceeding two years	1,030	–
Within a period of more than two years but not exceeding five years	15,624	14,037
	<u>91,039</u>	14,037
Less: Amount due within 1 year shown under current liabilities	<u>(74,385)</u>	–
Amount of other borrowings shown under non-current liabilities	<u>16,654</u>	14,037
Bank and other borrowings shown under non-current liabilities	<u>111,957</u>	80,664
Bank and other borrowings shown under current liabilities	<u>94,622</u>	21,353

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

	2022	2021
Fixed-rate bank borrowings	1.07% to 5.07%	1.07% to 5.07%
Variable-rate bank borrowings	<u>–</u>	<u>–</u>

Included in the bank borrowings balance as at 31 March 2022 are secured bank borrowings of approximately HK\$24,542,000 (2021: HK\$10,303,000) which were secured by a property jointly owned by Mr. CHONG Heung Chung Jason and his spouse.

Included in the other borrowings balance as at 31 March 2022 of approximately HK\$9,496,000 (2021: HK\$Nil) was secured by a property jointly owned by Mr. CHONG Heung Chung Jason and his spouse, approximately HK\$60,000,000 (2021: HK\$Nil) was secured by the Company's shares held by Bright Rise Enterprises Limited (wholly-owned by Mr. CHONG Heung Ching Jason), and approximately HK\$12,876,000 (2021: HK\$14,037,000) was secured by the long-term rental deposits.

18. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY

On 23 April 2020 and 16 June 2020, the Company entered into the sale and purchase agreement (the “**S&P Agreement**”), as amended by a supplemental S&P Agreement dated 16 June 2020, respectively with Mr. Liu Zhongsheng (“**the Vendor**”) and Flourishing Emerald Limited (the “**Flourishing Emerald**”) in respect of the acquisition of Flourishing Emerald, pursuant to which the Company conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the entire issued share capital of Flourishing Emerald at the consideration of HK\$121,330,000. On 22 June 2020, the acquisition was completed as the conditions precedent to the completion had been fulfilled on 19 June 2020. The consideration is satisfied by the issue of 44,000,000 shares of the Company (the “**Consideration Shares**”). The fair value of the Consideration Shares on 19 June 2020, when the conditions precedents were met, is amounted to HK\$105,600,000. The fair value of the Consideration Shares was determined by reference to the published closing price of HK\$2.4 at the date of the conditions precedents were met.

Flourishing Emerald is principally engaged in investment holding and through certain VIE arrangements, Flourishing Emerald has effective control and beneficially entitled to entire interest of 深圳市華利達玩具禮品有限公司 (“深圳華利達”, Flourishing Emerald and 深圳華利達 are collectively referred to as the “**Flourishing Emerald Group**”). Immediately before the date of acquisition, 深圳華利達 only held certain intangible assets and property, plant and equipment, and the management of the Group concluded that the acquired set of activities and assets do not constitute a business.

The Group has elected to measure the non-controlling interests in Flourishing Emerald Group at the non-controlling interest’s proportionate share of fair values of Flourishing Emerald’s identifiable net assets.

The identifiable assets of the acquiree acquired and liabilities assumed as at the date of acquisition, which were determined based on the fair value of the equity instruments granted, were as follows:

	<i>HK\$’000</i>
Net assets acquired:	
Property, plant and equipment	27,326
Trade and other receivables	31,910
Intangible assets	46,364
	<hr/>
Total identifiable net assets at fair value	105,600
	<hr/>
Non-controlling interests	–
Consideration	105,600
Less: Fair value of net assets acquired	(105,600)
	<hr/>
Total purchase consideration satisfied by:	
Issuance of new shares at fair value	105,600
	<hr/>
Net cash inflow arising on acquisition	
Cash consideration	–
Cash and cash equivalents acquired	–
	<hr/>
	<hr/>
	<hr/>

19. EVENTS AFTER THE REPORTING PERIOD

(a) Temporary suspension of operation of a major subsidiary

Since April 2022, one of the major operating subsidiaries of the Group, Huajiatai (Shanghai) Indoor Playground Co., Ltd, has temporarily suspended its operation due to city-wide lockdown and other social distancing measures implemented by the local government to control the outbreak of COVID-19 in Shanghai, PRC.

(b) Proposed Rights Issue

On 12 April 2022, the Company has entered into the Underwriting Agreement (supplemented by a Supplementary Underwriting Agreement on 10 May 2022 and a Second Supplementary Underwriting Agreement on 25 May 2022) with the underwriter, Raffaello Securities (HK) Limited, in respect of the proposed Rights Issue (the “**Rights Issue**”) of 591,021,000 Rights Shares on the basis of one (1) Rights Share for every two (2) existing shares of the Company to raise gross proceed of approximately HK\$82.38 million. On 20 June 2022, the underwriter has unilaterally terminated the underwriting agreements and the Rights Issue has been terminated accordingly. For details, please refer to the announcements of the Company dated 12 April 2022, 10 May 2022, 19 May 2022, 25 May 2022, 2 June 2022 and 23 June 2022.

(c) Winding-up petition filed by Ms. Wu Han Rong

On 12 May 2022, a winding-up petition (“**Petition A**”) was filed by Ms. WU Hanrong (“**Petitioner A**”) with the High Court of the Hong Kong Special Administrative Region (the “**High Court of Hong Kong**”) for the winding-up of the Company under the provision of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), in respect of an outstanding bond payable in aggregate sum, inclusive of accrued interest, of approximately HK\$4,552,887.67. On 17 May 2022, the Company and Petitioner A have agreed on the settlement of the bond payable and Petitioner A would forthwith withdraw the Petition A voluntarily and discontinue legal proceeding against the Company. For details, please refer to the announcement of the Company dated 17 May 2022.

(d) Winding-up petition filed by Maxx Capital Finance Limited

On 27 May 2022, a winding-up petition was filed by Maxx Capital Finance Limited (“**Petitioner B**”) with the Court of First Instance of the High Court of Hong Kong for the winding up of the Company under the provision of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (the “**C(WUMP)O**”) under Companies Winding-up Proceedings No. 190 of 2022 (the “**Winding-up Action**”), in relation to Petitioner B’s claim for an outstanding debt in relation to secured guaranteed notes (the “**Notes**”) in aggregate amount, inclusive of accrued interest, of approximately HK\$22,892,602.74. For details, please refer to the announcements of the Company dated 1 June 2022, 8 June 2022, 13 June 2022 and 23 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

The pandemic suppressed demand for entertainment, and the performance of entertainment and tourism consumption has yet to be released

During the Year under Review, the epidemic has affected the pace of global economic development, and has also affected different industries to varying degrees. Although the pandemic situation in China was under control compared with other countries, due to the rebound of infection cases in some of the provinces and cities, including Shanghai, Shenzhen, Guangzhou and other places, the PRC government needed to implement small scale control measures to lock down those areas and cities to prevent further spreading of pandemic, which inevitably affected local economic activities and daily activities of the people.

According to the domestic tourism data of the Ministry of Culture and Tourism of the People's Republic of China, in the first quarter of 2022, the total number of domestic tourists was 830 million, representing a decrease of 19.0% (194 million) compared with the same period of the previous year. However, revenue contributed by domestic tourism (total tourism consumption) was RMB7,700 trillion, with an increase of RMB30 billion or 4.0% over the same period of the previous year, which was mainly driven by urban residents' tourism consumption. By this token, the pandemic has suppressed the needs of citizens to go out for entertainment.

According to the data released by the Japan Tourism Agency, the domestic tourism consumption of Japan in 2022 dropped by 8.5% year-on-year to 9,121.5 billion yen, and recorded the lowest in history since the survey began in 1998. The restrictions measures among countries during the epidemic also affected the consumption performance on Japan's tourism.

The rise of the metaverse concept drives the diversify development of game technology

The "China Gaming Industry Report 2021" released by the China Audio and Digital Association Game Working Committee showed that the number of users in the game market in China has reached 666 million, with an actual sales revenue of RMB296.5 billion. Since 2021, the game industry in China has managed to maintain steady growth with a year-on-year increase of 0.22% to 666 million users. The actual sales revenue of RMB296.513 billion, representing an increase of RMB17.826 billion compared with that of 2020.

Driven by the concept of the metaverse, game live broadcasts and short game videos have risen rapidly. In 2021, China's gaming industry developed in a diversified manner. The Report shows that in 2021, the number of live broadcast game users exceeded 100 million, with a growth rate of 108.3%, and users who watched the games for more than 1 hour a day accounted for more than 63%. In addition to the growth of the market and number of users, the channel communication attributed of live broadcasts were also becoming increasingly prominent.

BUSINESS REVIEW

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

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

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

2. **Indoor theme park business: Guangzhou CA SEGA JOYPOLIS (廣州華夏世嘉歡樂世界) Officially Opens, All parks takes safety measures and prevention against pandemic to bring tourists a safe and fun experience**

CA SEGA JOYPOLIS (華夏世嘉歡樂世界) in Zengcheng District, Guangzhou, which the Group licensed Junming Group, a real estate developer in the PRC, has started its operations on 1 October 2021. The theme park is located in the CA SEGA JOYPOLIS (華夏世嘉歡樂世界), which has the same name as the theme park covering approximately 180,000 square meters. The indoor park covers an area of about 15,000 square meters. The project is also equipped with different commercial and cultural tourism facilities, including a 10,000-square-meter Japanese anime IP hotel, a 17-meter-high, 400-meter-long creative aerial runway plus a nearly 6,000-square-meter rooftop sports park, which together made a new landmark of cultural tourism in Guangzhou. The licensed theme park also brought an one-off licensing fee income to the Group during the Year under Review.

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

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

3. **Multimedia animation entertainment business:**

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

BUSINESS PROSPECTS

The pandemic has suppressed citizens' needs to go out for entertainment, but their appetite for leisure and entertainment remains strong. Once the pandemic is brought under control, the related cultural, entertainment and tourism industries are expected to recover rapidly.

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

Another licensed large indoor theme park CA SEGA JOYPOLIS project (10,000 square meters or more) will be gradually kicked off when the pandemic becomes stable.

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

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

FINANCIAL REVIEW

The following sets forth a summary of the performance of the Group for the year ended 31 March 2022 with comparative figures for the latest year as follows:

	For the year ended 31 March	
	2022	2021
Revenue (<i>HK\$'000</i>)	453,136	478,309
Gross profit (<i>HK\$'000</i>)	63,381	167,700
Gross profit margin (%)	14.0	35.1
(Loss)/profit attributable to owners of the Company (<i>HK\$'000</i>)	(375,051)	83,086

Revenue

The revenue decreased by approximately HK\$25.2 million, or approximately 5.3%, compared to the approximately HK\$478.3 million for the year ended 31 March 2021 to approximately HK\$453.1 million for the year ended 31 March 2022. The decrease was primarily due to the decrease in the revenue from multimedia animation entertainment business of HK\$64.5 million.

Sales of animation derivative products

The revenue from sales of animation derivative products increased by approximately 15.9% from approximately HK\$139.2 million for the year ended 31 March 2021 to approximately HK\$161.4 million for the year ended 31 March 2022. The increase was primarily due to the recovery from the outbreak of the COVID-19, certain lockdown measures were relieved by Japan government and the Group received new orders for IP derivative products.

Establishment and operation of indoor theme parks

The revenue from establishment and operation of indoor theme parks increased by approximately 90.6% from approximately HK\$142.5 million for the year ended 31 March 2021 to approximately HK\$271.6 million for the year ended 31 March 2022. The increase was primarily due to the relief of certain anti-epidemic measures imposed by Japan and PRC government.

The number of visitors based on ticket sales decreased by approximately 7.7% from approximately 1.3 million for the year ended 31 March 2021 to approximately 1.2 million for the year ended 31 March 2022.

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

	2022	2021
	'000	'000
PRC	922	1,053
Japan	307	202

During the year ended 31 March 2021, Qingdao JOYPOLIS of the Group has adopted special promotion offer to attract visitors during pandemic. But during the Year under Review, the control measure has been relaxed and the tourism industry started to recover in the PRC, such offer has been stopped and thus recorded a decrease in the number visitors in the PRC.

Multimedia animation entertainment

The revenue from multimedia animation entertainment decreased by approximately HK\$64.5 million, or approximately 77.2%, from approximately HK\$83.6 million for the year ended 31 March 2021 to approximately HK\$19.1 million for the year ended 31 March 2022. 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 decrease was primarily due to certain licencing agreements were renegotiated with lower licencing income due to the economic uncertainty and absence of such income from licensing the IP rights to a land developer during the year ended 31 March 2021.

Revenue from provision of theme park design and consultancy service

During the year ended 31 March 2021, the Group cooperated with land developers to provide IP rights licencing, projects planning, designs and feasibility studies but such income was not derived for the year ended 31 March 2022.

Cost of sales and services

The cost of sales and services increased by approximately HK\$79.2 million, or approximately 25.5%, from approximately HK\$310.6 million for the year ended 31 March 2021 to approximately HK\$389.8 million for the year ended 31 March 2022. The increase was mainly due to the launched of licensed indoor theme park in Zengcheng District, Guangzhou during the year ended 31 March 2022. The relevant costs for the equipment sale, were recognised.

Gross profit and gross profit margin

The Group's gross profit decreased significantly by approximately HK\$104.3 million, or approximately 62.2%, from approximately HK\$167.7 million for the year ended 31 March 2021 to approximately HK\$63.4 million for the year ended 31 March 2022. The Group's gross profit margin decreased significantly from approximately 35.1% for the year ended 31 March 2021 to approximately 14.0% for the year ended 31 March 2022. The significant decrease in gross profit and gross profit margin was mainly due to the absence of revenue from provision of theme park design and consultancy service for the year ended 31 March 2022 which had high profit margin.

Other income

Other income increased by approximately HK\$2.1 million from approximately HK\$8.4 million for the year ended 31 March 2021 to approximately HK\$10.5 million for the year ended 31 March 2022. The increase was primarily due to government grant of HK\$9.1 million was received by CA SEGA JOYPOLIS during the year ended 31 March 2022.

Other gains and losses

Other gains and losses significantly decreased by approximately HK\$51.4 million from approximately HK\$52.6 million for the year ended 31 March 2021 to approximately HK\$1.2 million for the year ended 31 March 2022. This significant decrease was due to the absence of gain from changes in fair value of financial assets mandatorily measured at FVTPL and net gain on disposal of property, plant and equipment approximately HK\$55.9 million for the year ended 31 March 2022.

Selling and distribution expenses

The selling and distribution expenses increased by approximately HK\$2.1 million, or approximately 16.3%, from approximately HK\$12.9 million for the year ended 31 March 2021 to approximately HK\$15.0 million for the year ended 31 March 2022. The Group's selling and distribution expenses as a percentage of revenue increased from approximately 2.7% for the year ended 31 March 2021 to approximately 3.3% for the year ended 31 March 2022. The increase was primarily due to the cost incurred in the sales of equipment to the newly opened licensed theme park.

Research and development expenses

The research and development expenses increased by approximately HK\$0.3 million from approximately HK\$10.9 million for the year ended 31 March 2021 to approximately HK\$11.2 million for the year ended 31 March 2022. The increase was primarily due to that more resource was deployed in researching and developing new amusement rides and games for indoor theme parks.

Impairment losses under expected credit loss model, net of reversal

The Group recognised approximately HK\$295.2 million impairment losses under expected credit loss model, net of reversal, for the year ended 31 March 2022 (year ended 31 March 2021: reversal of HK\$5.2 million).

The impairment losses under expected credit loss model, net of reversal for the year ended 31 March 2022 comprised of impairment losses of trade receivables of approximately HK\$50.5 million (2021: reversal of impairment losses of approximately HK\$6.8 million) and other receivables, deposits and prepayments of approximately HK\$244.7 million (2021: impairment losses of approximately HK\$1.6 million).

Loss/profit attributable to owners of the Company

The loss attributable to owners of the Company for the year ended 31 March 2022 of approximately HK\$375.1 million as compared to the profit recorded approximately HK\$83.1 million for the year ended 31 March 2021. The reasons were including (i) the absence of the revenue from the provision of theme park design and consultancy service of approximately HK\$113 million recorded for the year ended 31 March 2021; (ii) absence of one-off gain on changes in fair value of financial asset mandatorily measured at FVTPL and gain on disposal of property, plant and equipment approximately HK\$55.9 million which was incurred for the year ended 31 March 2022; and (iii) impairment loss approximately HK\$295.2 million on certain other receivable and trade receivable which have been significantly past due for the year ended 31 March 2022.

Deposits for acquisition of property, plant and equipment

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Project		
Development and establishment of new Wonder Forest	72,492	225,413
Development and establishment of new Joypolis	50,000	145,206
	<u>122,492</u>	<u>370,619</u>

Due to the outbreak of COVID-19, certain projects were delayed or suspended. The Group has negotiated with some developers to refund for the deposits. As a result, the deposits for the development and establishment of new Wonder Forest of approximately HK\$153.7 million and the deposits for the development and establishment of new Joypolis of approximately HK\$144.4 million were re-classified to current assets under “other receivables, deposits and prepayments”.

Other receivables, deposits and prepayments

The amount was increased by HK\$48.0 million from HK\$435.0 million for the year ended 31 March 2021 to HK\$483.0 million for the year ended 31 March 2022. The net movement was mainly due to (i) the reclassification of the refundable deposits for the development and establishment of new Wonder Forest and new Joypolis of approximately HK\$298.1 million from non-current assets under “deposits for acquisition of property, plant and equipment”; and (ii) impairments for significantly past due balances including approximately HK\$176.5 million receivable from disposal of intangible assets, approximately HK\$25.1 million from deposits refundable from a game developer and approximately HK\$49 million receivable from disposal of property, plant and equipment.

BUSINESS PROSPECTS

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

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

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

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

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Company has received net proceeds of approximately HK\$298.6 million after deducting the underwriting fee and commissions and relevant expenses in connection with the global offering on 12 March 2015. As at 31 March 2022, approximately HK\$280.0 million of the net proceeds had been used by the Group. The unutilised net proceeds were deposited with a licenced bank in Hong Kong. The following sets forth a summary of the utilisation of the net proceeds:

	Planned use of the Net Proceeds		Actual utilised as at 31 March 2022	Unutilised as at 31 March 2022
	%	HK\$'million	HK\$'million	HK\$'million
For the capital expenditure and the working capital for the Shanghai <i>JOYPOLIS</i> and for use in planning the next <i>JOYPOLIS</i>	40.0	119.4	119.4	–
For possible investment in, acquisition of, and/or formation of strategic cooperation with, domestic or international companies which operate animation-related businesses, including without limitation, animation-related event organisers, mobile and internet applications developers and animation-related multi-media platforms	21.5	64.3	45.7	18.6
For the development, production and technical enhancement of music animation concerts and the related promotional and marketing activities and the development of consignment sales business	20.0	59.7	59.7	–
For working capital and general corporate purposes	16.6	49.5	49.5	–
Repayment of bonds, interests and related expenses	1.9	5.7	5.7	–
Total	100.0	298.6	280.0	18.6

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2022, the authorised share capital of the Company was HK\$500.0 million divided into 5,000,000,000 shares of HK\$0.1 each and the issued share capital of the Company was approximately HK\$118.2 million divided into 1,182,042,000 shares of HK\$0.1 each.

As at 31 March 2022, the cash and bank balances of the Group were approximately HK\$21.0 million (31 March 2021: approximately HK\$56.0 million). The decrease was mainly due to the repayment of bonds and loans.

As at 31 March 2022, the Group had a gearing ratio (calculate as secured bank borrowings and other borrowings, lease liabilities, guaranteed note and bonds, divided by total assets) of approximately 40.1% (31 March 2021: approximately 31.4%).

During the year ended 31 March 2022, the Company issued bonds in par in an aggregate principal amount of HK\$73.3 million (31 March 2021: HK\$5.1 million). The bonds are denominated in HK\$ and are unlisted. The bonds are unsecured and carry interest at a nominal rate ranging from 5% to 12% per annum, payable monthly, semi-annually and annually in arrears with a maturity period ranging from 1 to 7.5 years. The proceeds were mainly utilised for the development of indoor theme park business and as general working capital of the Group.

During the year ended 31 March 2022, the Company repaid principal amount of HK\$80 million guaranteed note issued on 27 September 2017, and issued guaranteed note of principal amount of HK\$20 million.

TREASURY POLICIES

The Group has adopted a prudent treasury policy throughout the year ended 31 March 2022. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage the liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2022 (2021: Nil HK cents per share). Due to the global economic environment has been severely affected by the outbreak of COVID-19, the Board believes that it is in the best interest for the Group to keep more liquidity and sufficient working capital for the forthcoming year and will resume for the distribution of dividend when the economy is back to normal.

SIGNIFICANT INVESTMENTS HELD

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

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

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

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

MORTGAGES AND PLEDGES

As at 31 March 2022, a bank deposit of the Group with a carrying value of approximately HK\$3.7 million (31 March 2021: approximately HK\$3.6 million) was pledged to a bank for banking facilities obtained.

CONTINGENT LIABILITIES

The Group did not have significant contingent liabilities as at 31 March 2022 (31 March 2021: Nil).

FOREIGN EXCHANGE EXPOSURE

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Since April 2022, one of the major operating subsidiaries of the Group, Huajiatai (Shanghai) Indoor Playground Co., Ltd, has temporarily suspended operation due to city-wide lockdown and other social distancing measures implemented by the local government to control the outbreak of COVID-19 in Shanghai, PRC. The Group has already assessed the overall impact of the situation on the operation of the Group and taken all possible effective measures to limit and keep the impact in control. The Group will keep continuous attention on the change of situation and make timely response and adjustments correspondingly.

On 12 April 2022, the Company has entered into the Underwriting Agreement (supplemented by a Supplementary Underwriting Agreement on 10 May 2022 and a Second Supplementary Underwriting Agreement on 25 May 2022) with the underwriter, Raffaello Securities (HK) Limited, in respect of the proposed Rights Issue (the "**Rights Issue**") of 591,021,000 Rights Shares on the basis of one (1) Rights Share for every two (2) existing shares of the Company to raise gross proceed of approximately HK\$82.38 million. On 20 June 2022, the underwriter has unilaterally terminated the underwriting agreements and the Rights Issue has been terminated accordingly. For details, please refer to the announcements of the Company dated 12 April 2022, 10 May 2022, 19 May 2022, 25 May 2022, 2 June 2022 and 23 June 2022.

On 12 May 2022, a winding-up petition ("**Petition A**") was filed by Ms. WU Hanrong ("**Petitioner A**") with the High Court of the Hong Kong Special Administrative Region (the "**High Court of Hong Kong**") for the winding-up of the Company under the provision of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), in respect of an outstanding bond payable in aggregate sum, inclusive of accrued interest, of approximately HK\$4,552,887.67. On 17 May 2022, the Company and Petitioner A have agreed on the settlement of the bond payable and Petitioner A would forthwith withdraw the Petition A voluntarily and discontinue legal proceeding against the Company. For details, please refer to the announcement of the Company dated 17 May 2022.

On 27 May 2022, a winding-up petition was filed by Maxx Capital Finance Limited ("**Petitioner B**") with the Court of First Instance of the High Court of the Hong Kong for winding up of the Company under the provision of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (the "**C(WUMP) O**") under Companies Winding-up Proceedings No. 190 of 2022 (the "**Winding-up Action**"), in relation to Petitioner B's claim for an outstanding debt in relation to secured guaranteed notes (the "**Notes**") in aggregate amount, inclusive of accrued interest, of approximately HK\$22,892,602.74. For details, please refer to the announcements of the Company dated 1 June 2022, 8 June 2022, 13 June 2022 and 23 June 2022.

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 2022, the Group had 216 employees (31 March 2021: 284 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 2022, employees' remuneration and benefits in kind and contribution to the pension scheme (including the Directors' remuneration and benefits in kind and contribution to the pension scheme) amounted to approximately HK\$85.2 million (31 March 2021: approximately HK\$91.5 million). The decrease was mainly attributable to the decrease of approximately HK\$6.3 million in employee remuneration. The Group's remuneration package is determined with reference to the experience and qualification of the individual employees and the general market conditions. The Group also ensures that all employees are provided with adequate training and continued professional opportunities according to their needs. A share option scheme has been established to provide incentives and remuneration to eligible Directors and employees of the Group in recognition of their contributions. On 28 February 2022, 42,910,000 options have been granted to the eligible Directors, employees and a consultant pursuant to the share option scheme adopted by the Company on 16 February 2015.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Save as the repayment of guaranteed note and the placing of bonds as disclosed under the section headed "Capital Structure, Liquidity and Financial Resources" in this announcement, 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 2022.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

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

REVIEW OF UNAUDITED ANNUAL RESULTS

Due to the transportation control implemented in the PRC as a result of the outbreak of COVID-19, the audit work has experienced a significant delay and the auditing process for the annual results for the year ended 31 March 2022 has not been completed as at the date of this announcement. In particular, due to partial lockdown measures across various cities, extended suspension of government offices and public services and travel restrictions, certain audit works (including but limited to the circulation of audit confirmations and impairment assessment on the relevant non-current assets thereof) in relation to several subsidiaries of the Group, which are located in Shanghai and Shenzhen, PRC have not been completed. As such, the unaudited annual results contained in this announcement have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Listing Rules. An announcement relating to the audited annual results for the year ended 31 March 2022 will be made when the auditing process is completed by the Company's auditors in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results for the year ended 31 March 2022 have been reviewed by the Audit Committee. The Company will continue to work with its auditor with a view to approving and publishing the audited annual results of the Group for the year ended 31 March 2022.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company is expected to issue further announcement(s) and/or annual report in August 2022 in relation to (i) the audited annual results for the year ended 31 March 2022 as agreed by the Company's auditors and the material variances (if any) as compared with the unaudited annual results contained herein, (ii) the proposed date on which the forthcoming annual general meeting will be held, and (iii) the period during which the register of members holding ordinary shares will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting (and the proposed arrangements relating to dividend payment, if any). In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the year, except for the following deviation:

Code provision A.2.1

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 the 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.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set forth in Appendix 10 of the Listing Rules (the “**Model Code**”) as its own code of conduct regarding securities transaction by the Directors. Having made specific enquiry with the directors, all directors confirmed that they have fully complied with the required standard as set out in the Model Code throughout the year ended 31 March 2022.

GENERAL INFORMATION

A circular containing, inter alia, the information required by the Listing Rules, together with the notice of the upcoming annual general meeting, will be despatched to the Shareholders in due course.

PUBLIC FLOAT

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

By order of the Board
CA CULTURAL TECHNOLOGY GROUP LIMITED
CHONG Heung Chung Jason
Chief Executive Officer and Executive Director

Hong Kong, 30 June 2022

As at the date of this announcement, the Board comprise six Directors. Mr. CHONG Heung Chung Jason (Chief Executive Officer), Mr. XIONG Hao and Ms. LIU Moxiang are executive Directors and Mr. NI Zhenliang, Mr. TSANG Wah Kwong and Mr. HUNG Muk Ming are independent non-executive Directors.