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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

31 MARCH 2023 FINANCIAL HIGHLIGHTS

– Revenue was approximately HK$360.3 million for the year ended 31 March 2023, representing a decrease of approximately 20.5% as compared with approximately HK$453.1 million for the year ended 31 March 2022.

– Gross profit was approximately HK$19.9 million for the year ended 31 March 2023, representing a significant decrease of approximately 68.3% as compared with approximately HK$62.7 million for the year ended 31 March 2022. Gross profit margin for the year ended 31 March 2023 was approximately 5.5%, representing a significant decrease of approximately 60.1% as compared with approximately 13.8% for the year ended 31 March 2022.

– Loss attributable to owners of the Company was approximately HK$1,033.6 million, as compared with a loss of approximately HK$1,050.2 million for the year ended 31 March 2022.

– Basic loss per share amounted to approximately 87 HK cents for the year ended 31 March 2023, as compared with basic loss per share of approximately 102 HK cents for the year ended 31 March 2022.

The board (the "**Board**") of directors (the "**Directors**") of the Company wishes to present the audited consolidated annual results of the Group for the year ended 31 March 2023, together with the comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	*4*	**360,302**	453,136
Cost of sales and services		**(340,362)**	(390,410)
Gross profit		**19,940**	62,726
Other income		**16,429**	10,559
Other gains and losses	*5*	**2,957**	(8,154)
Selling, marketing and distribution expenses		**(69,198)**	(14,954)
Administrative expenses		**(155,748)**	(180,067)
Research and development expenses		**(262,570)**	(11,678)
Share of loss of a joint venture		**(87,743)**	(18,930)
Share of loss of associates		**(97,943)**	(112,351)
Finance costs		**(80,663)**	(80,638)
Impairment loss on investment in a joint venture		**–**	(2,156)
Impairment loss on property, plant and equipment		**–**	(69,589)
Impairment loss on right-of-use assets		**–**	(20,566)
Impairment loss on intangible assets		**(58,801)**	(96,051)
Impairment loss under expected credit loss model, net of reversal		**(283,743)**	(537,296)
Loss before taxation		**(1,057,083)**	(1,079,145)
Taxation	*6*	**23,937**	18,679
Loss for the year	*7*	**(1,033,146)**	(1,060,466)

	Notes	**2023** *HK$'000*	2022 *HK$'000*
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit plans		**(581)**	(1,368)
Fair value gain/(loss) on financial assets at fair value through other comprehensive income			
– investment in debt instrument at fair value through other comprehensive income		**594**	–
– investment in equity instrument at fair value through other comprehensive income		**1,021**	(45,442)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of:			
– subsidiaries		**(123)**	5,172
Other comprehensive income/(expense) for the year		**911**	(41,638)
Total comprehensive expense for the year		**(1,032,235)**	(1,102,104)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(1,033,575)**	(1,050,184)
Non-controlling interests		**429**	(10,282)
		(1,033,146)	(1,060,466)
Total comprehensive (expense)/income attributable to:			
Owners of the Company		**(1,032,430)**	(1,092,459)
Non-controlling interests		**195**	(9,645)
		(1,032,235)	(1,102,104)
Loss per share	*9*		
– Basic (HK$)		**(0.87)**	(1.02)
– Diluted (HK$)		**(0.87)**	(1.02)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	**2023** **HK$'000**	2022 *HK$'000*
Non-current assets			
Property, plant and equipment		**118,877**	190,849
Right-of-use assets		**125,844**	93,912
Goodwill		**2,425**	2,425
Intangible assets	*11*	**2,188**	94,768
Interest in associates	*12*	**5,528**	103,473
Interest in a joint venture	*13*	**–**	87,743
Financial assets at fair value through other comprehensive income	*10*	**4,732**	12,825
Deposits for acquisition of property, plant and equipment	*15*	**72,492**	72,492
Deposit for theme park development projects	*15*	**54,400**	50,000
Rental deposits		**14,073**	15,835
		400,559	724,322
Current assets			
Inventories		**6,384**	1,500
Trade receivables	*14*	**53,924**	170,054
Other receivables, deposits and prepayments	*15*	**63,818**	258,995
Financial assets at fair value through profit or loss		**777**	839
Restricted bank balances		**793**	718
Pledged bank deposits		**–**	3,725
Bank balances and cash		**36,242**	20,955
		161,938	456,786

	Notes	2023 HK$'000	2022 HK$'000
Current liabilities			
Trade payables	*16*	**6,266**	15,522
Other payables and accruals		**199,961**	122,907
Amount due to a director	*17*	**25**	–
Contract liabilities		**26,508**	17,026
Tax payable		**42,804**	67,913
Guaranteed note		**25,000**	20,000
Bonds		**710,376**	321,416
Lease liabilities		**32,321**	35,371
Bank and other borrowings	*18*	**120,734**	99,599
		1,163,995	699,754
Net current liabilities		**(1,002,057)**	(242,968)
Total assets less current liabilities		**(601,498)**	481,354
Non-current liabilities			
Bonds		**8,019**	64,581
Bank and other borrowings	*18*	**92,630**	111,957
Lease liabilities		**111,206**	90,265
Long term other payables		**–**	298
Contract liabilities		**31,706**	33,885
Provision for reinstatement costs for rented premises		**27,396**	29,483
Obligation arising from a put option to a non-controlling interest		**12,407**	13,376
		283,364	343,845
Net (liabilities)/assets		**(884,862)**	137,509
Capital and reserves			
Share capital		**118,204**	118,204
Reserves		**(995,048)**	31,152
Equity attributable to owners of the Company		**(876,844)**	149,356
Non-controlling interests		**(8,018)**	(11,847)
Total (capital deficiency)/equity		**(884,862)**	137,509

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. CORPORATE INFORMATION

CA Cultural Technology Group Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on 25 September 2013 and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered office of the Company is at Cricket Square, Hutchins Drive, PO BOX 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is Room 2905, 29th Floor, China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong.

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2022 for the preparation of the consolidated financial statements:

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

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

Impacts on application of Amendments to HKFRS 3 Reference to the Conceptual Framework

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 April 2022. The amendments update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "**Conceptual Framework**") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the Conceptual Framework for *Financial Reporting 2010* issued in October 2010), add a requirement that, for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

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

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

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

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

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

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

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

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

The Group has applied the amendments for the first time in the current year. The annual improvements make amendments to the following standards:

HKFRS 9 Financial Instruments

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

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

HKFRS 16 Leases

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

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or 1 January 2024.

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

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

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

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

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

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

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

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

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

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

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

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

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

Based on the Group's outstanding liabilities as at 31 March 2023, the application of the amendments will not result in reclassification of the Group's liabilities as at 31 March 2023.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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

Going Concern

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

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

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

(i) successfully completing the debt restructuring of its bonds payables and amounts owed to other creditors;

(ii) successfully dismissing the winding-up petition;

(iii) successfully obtaining additional new sources of financing as and when needed;

(iv) successfully implementing measures to speed up the collection of outstanding sales proceeds and effectively control costs and expenses;

(v) the successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings with interest payments in default.

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

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

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

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

4. REVENUE AND SEGMENT INFORMATION

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

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

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

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

(a) Disaggregation of revenue from contracts with customers

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

Note:

(i) The revenue is mainly derived from licensing income generated from the Group's animation characters, sales of VR products, and ticketing income from VR gaming exhibitions.

Timing of revenue recognition:

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

(b) Performance obligations for contracts with customers

Sales of animation derivative products

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

Sales of admission tickets

Customers obtain control of goods and services when the tickets are accepted and surrendered by the customers upon entering the theme parks. Revenue from tickets sold for use at a future date is deferred and recognised as contract liability until the tickets are surrendered or have expired, which amounted to approximately HK$2,866,000 as at 31 March 2023 (2022: HK$14,905,000). There is generally only one performance obligation.

Licensing income of indoor theme parks/multimedia animation entertainment

Licensing income is recognised over time in accordance with the terms of the license agreements. There is generally only one performance obligation. Invoices are usually payable within 90 days to 365 days.

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

Sales of theme park machineries

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

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

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

	Establishment and operation of indoor theme park	
	2023	2022
	HK$'000	*HK$'000*
Within one year	**1,782**	1,850
More than one year but not more than two years	**1,782**	18,777
More than two years	**9,653**	10,784
	13,217	31,411

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

(ii) Segment information

(a) Segment revenue and results

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

	Sales of animation derivative products *HK$'000*	Establishment and operation of indoor theme parks *HK$'000*	Multimedia animation entertainment *HK$'000*	Total *HK$'000*
For the year ended 31 March 2023				
Segment revenue	**172,376**	**187,926**	**–**	**360,302**
Segment loss	**(9,051)**	**(376,710)**	**(471,042)**	**(856,803)**
Unallocated expense				**(129,786)**
Unallocated other income, other gains and losses				**2,688**
Unallocated finance cost				**(73,182)**
Loss before tax				**(1,057,083)**
For the year ended 31 March 2022				
Segment revenue	161,362	272,691	19,083	453,136
Segment loss	(22,176)	(282,997)	(511,111)	(816,284)
Unallocated expense				(181,991)
Unallocated other income, other gains and losses				(7,959)
Unallocated finance cost				(72,911)
Loss before tax				(1,079,145)

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

(b) Segment assets and liabilities

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

Segment assets

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

Segment liabilities

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

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

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

(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*
2023						
Amounts included in the measurement of segment profit or loss and segment assets:						
Additions to property, plant and equipment and right-of-use assets	–	12,761	–	12,761	12	12,773
Depreciation and amortisation of property, plant and equipment, intangible assets and right-of-use assets	195	87,482	33,674	121,351	949	122,300
Share of loss of associates	–	1,454	86,712	88,166	9,777	97,943
Share of loss of a joint venture	–	–	87,743	87,743	–	87,743
Impairment loss on intangible assets	–	–	58,801	58,801	–	58,801
Impairment loss under expected credit loss model, net of reversal	290	239,001	43,622	282,913	830	283,743
Research and development costs	–	100,537	162,033	262,570	–	262,570
Finance costs	–	7,481	–	7,481	73,182	80,663
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:						
Taxation	24,289	(352)	–	23,937	–	23,937

	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*
2022						
Amounts included in the measurement of segment profit or loss and segment assets:						
Additions to property, plant and equipment and right-of-use assets	–	23,503	–	23,503	–	23,503
Depreciation and amortisation of property, plant and equipment, intangible assets and right-of-use assets	2,761	96,642	66,933	166,336	5,911	172,247
Share of loss of associates	–	908	32,611	33,519	78,832	112,351
Share of loss of a joint venture	–	–	18,930	18,930	–	18,930
Impairment loss on investment in a joint venture	–	–	2,156	2,156	–	2,156
Impairment loss on property, plant and equipment	52,020	17,569	–	69,589	–	69,589
Impairment loss on intangible assets	–	–	96,051	96,051	–	96,051
Impairment loss on right-of-use assets	7,526	13,040	–	20,566	–	20,566
(Reversal of)/impairment loss under expected credit loss model, net of reversal	(110)	231,748	305,658	537,296	–	537,296
Finance costs	–	7,728	–	7,728	72,910	80,638
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:						
Taxation	22,458	(3,779)	–	18,679	–	18,679

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

All the segment revenue reported above is from external customers.

(d) Geographical information

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

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

Revenue from external customers

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

Non-current assets by geographical location

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

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

Information about major customers

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

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

1. Revenue from sales of theme park machineries and licensing of theme park operation right.

2. Revenue from sales of animation derivative products.

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

5. OTHER GAINS AND LOSSES

	2023	2022
	HK$'000	*HK$'000*
Net exchange gain	**457**	1,051
Gain on lease modification	**3,058**	–
Net gain/(loss) on a put option to a non-controlling interest	**1,144**	(8,794)
Loss on disposal of property, plant and equipment	**(1,708)**	(465)
Gain on financial asset at fair value through profit or loss	**1**	–
Other gain	**5**	54
	2,957	(8,154)

6. TAXATION

The tax credit comprises:

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

Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2 million of profits of the qualifying group entity is taxed at 8.25%, and profits above HK$2 million are taxed at 16.5%. The profits of group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime are taxed at a flat rate of 16.5%.

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

Corporate tax in Japan is calculated at 23.25% (2022: 23.25%) on the estimated assessable profit. Pursuant to relevant laws and regulations in Japan, withholding tax is imposed at 20.42% (2022: 20.42%) and 5% (2022: 5%) on dividends declared to local investors and foreign investors, respectively, in respect of profit generated by subsidiaries incorporated in Japan.

7. LOSS FOR THE YEAR

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

8. DIVIDENDS

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

9. LOSS PER SHARE

(a) Basic loss per share

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

(b) Diluted loss per share

For the years ended 31 March 2023 and 2022, diluted loss per share attributable to owners of the Company were the same as the basic loss per share because the computation of diluted loss per share does not assume the exercise of the Company's share options as the exercise price of those share options was higher than the average market price of the Company's shares for both years ended 31 March 2023 and 2022.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at FVTOCI include the following:

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

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

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

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

(ii) In February 2021, the Group entered into and completed a subscription agreement pursuant to which the Group subscribed for shares of a limited partnership incorporated in the PRC (the "**Investment**"), as a limited partner, for an aggregate consideration of HK$40,000,000, which was settled by transferring the Group's Aceso Life Convertible Note of aggregate principal amount of HK$40,000,000 with zero coupon, which fair value was measured to be approximately HK$40,000,000 on the date of subscription of the Investment by an external independent valuer, Vincorn Consulting and Appraisal Limited, to the vendor. The Group, as a limited partner in the

Investment, does not have the power to participate in the financial and operating policy decisions of the Investment. As such, the Group does not have significant influence over the Investment. The shares of the Investment held by the Group represent 0.145% of the issued equity capital of the Investment as at 31 March 2022. The directors of the Company have elected to designate these investments in equity instrument at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding this investment for long term-purpose and realising their performance potential in the long run.

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

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

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

11. INTANGIBLE ASSETS

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

Notes:

(i) Film rights and applications represent the acquisition of film rights and applications from production parties for the distribution of films and gaming applications in various videogram formats, film exhibition, licensing and sub-licensing of film titles and mobile phone gaming applications. Film rights and applications are stated at cost less accumulated amortisation and accumulated impairment losses. The costs of film rights and applications are amortised on a straight-line basis over their estimated useful lives starting from the completion of films and applications.

(ii) Animation characters represent the acquired intellectual properties in the form of trademarks and copyrights of various animation brands and related characters under the ownership of the Group.

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

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

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

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

12. INTEREST IN ASSOCIATES

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

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

Name of associate	Place of establishment	Paid up registered capital	Proportion of equity interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2023	2022	**2023**	2022	
常州江南環球港華夏動漫科技有限公司 (Changzhou Southern Yangtze Global Harbor Chinese Animation Technology Co., Ltd) ("**Changzhou Joypolis**")	PRC	RMB25,000,000	**20%**	20%	**20%**	20%	Operation of indoor theme park
Triple Blessing International Limited ("**Triple Blessing**")	BVI	HK$138,121,000	**48%**	48%	**48%**	48%	Development and licensing of IP rights
Lion Run Holdings Limited ("**Lion Run**")	BVI	HK$91,875,000	**48%**	48%	**48%**	48%	Development and licensing of IP rights
Access Profit Global Enterprises Group Limited ("**Access Profit**")	BVI	HK$295,263,000	**31%**	31%	**31%**	31%	Development of logistic and storage business

Note:

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

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

(a) Changzhou Joypolis

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

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

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

(b) Triple Blessing

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

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

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

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

Year ended 31 March 2023

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

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

Year ended 31 March 2022

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

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

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

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

(c) Access Profit

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

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

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

Impairment assessment

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

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

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

Apart from the considerations described above in determining the FVLCOD of the Land held by Access Profit, the Group's management is not currently aware of any other probable changes that would necessitate changes in these key assumptions. However, the estimate of recoverable amount of the Group's investment in Access Profit is particularly sensitive to the market price of market comparable.

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

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

(d) Lion Run

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

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

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

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

Year ended 31 March 2023

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

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

Year ended 31 March 2022

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

The recoverable amount of this cash generating unit had been determined by the directors of the Company based on value-in-use calculations. The pre-tax discount rate in measuring the amount of value-in-use was 18.8% per annum in relation to this cash generating unit, which was determined by Vincorn.

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

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

13. INTEREST IN A JOINT VENTURE

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

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

Name of joint venture	Place of establishment	Paid up registered capital	Proportion of equity interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2023	2022	**2023**	2022	
Success View Global Limited ("**Success View**")	BVI	USD25,770,100	**50%**	50%	**50%**	50%	Multimedia animation entertainment business

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

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

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

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

Note:

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

14. TRADE RECEIVABLES

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

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

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

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

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

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

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

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

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

15. DEPOSIT FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT/DEPOSITS FOR THEME PARK DEVELOPMENT PROJECTS/OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Non-current assets:

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

Notes:

(i) The deposit for acquisition of property, plant and equipment is advance payment made to a construction vendor who is independent third party for interior design works, fire safety facilities and playground facilities for future construction of "Wonder Forest" and "Joypolis" indoor theme parks in the PRC. The construction contract was still valid as at 31 March 2023 with expiry dates in July 2023.

(ii) Pursuant to contracts entered into between the Group and independent consultants, deposits for theme park development projects were made as an advance payment to the said consultants for the intended formation of joint venture and acquisition of facilities for construction of theme parks in the Metaverse, South-East Asia and the PRC.

Current assets:

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

Notes:

(i) As at 31 March 2023, included in the balance of prepayments is a prepayment for purchase of animation derivative products made to the main supplier of the Group, amounting to approximately HK$45,279,000 (2022: HK$40,639,000), and prepayments of commission or service fee of approximately HK$Nil (2022: HK$19,590,000) to an independent bond placement agent for the negotiations with the bond holders for the renewal of bonds and/or extension of bond repayment dates.

(ii) During the year ended 31 March 2022, the Group has renegotiated the terms with certain construction vendors to request for refund of the amount previously paid for construction of various theme parks within one year after the end of the reporting period. Accordingly, the amounts of the deposits were reclassified from deposits for acquisition of property, plant and equipment to deposit refundable from construction vendors as at 31 March 2022. As at 31 March 2023, the deposit refundable from construction vendors with aggregate carrying amount of approximately HK$298,127,000 (before impairment loss) were past due. The directors consider credit risk have increased significantly on the balance and impairment of approximately HK$181,002,000 was recognised during the year ended 31 March 2023.

16. TRADE PAYABLES

	2023	2022
	HK$'000	*HK$'000*
Trade payables	**6,266**	15,522
	6,266	15,522

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

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

17. AMOUNT DUE TO A DIRECTOR

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

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

18. BANK BORROWINGS AND OTHER BORROWINGS

	2023	2022
	HK$'000	*HK$'000*
Bank borrowings and overdraft	**100,249**	115,540
Other borrowings	**113,115**	96,016
	213,364	211,556

(i) Bank borrowings

The carrying amount of the bank borrowing are repayable		
Within one year	**21,933**	20,237
Within a period of more than one year but not exceeding two years	**28,485**	13,390
Within a period of more than two years but not exceeding five years	**26,334**	50,808
More than five years	**23,497**	31,105
	100,249	115,540
	100,249	115,540
Less: Amount due within 1 year shown under current liabilities	**(21,933)**	(20,237)
Amount of bank borrowing shown under non-current liabilities	**78,316**	95,303

(ii) Other Borrowings

	2023	2022
	HK$'000	*HK$'000*
The carrying amount of the other borrowings is repayable		
Within one year	**98,801**	79,362
Within a period of more than one year but not exceeding two years	**12,739**	1,030
Within a period of more than two years but not exceeding five years	**1,575**	15,624
	113,115	96,016
Less: Amount due within 1 year shown under current liabilities	**(98,801)**	(79,362)
Amount of other borrowings shown under non-current liabilities	**14,314**	16,654
Bank and other borrowings shown under non-current liabilities	**92,630**	111,957
Bank and other borrowings shown under current liabilities	**120,734**	99,599

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

	2023	2022
Fixed-rate bank borrowings	**1.07% to 10.0%**	1.07% to 10%

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

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

19. EVENTS AFTER THE REPORTING PERIOD

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Policy reignites gaming industry, strong consumer momentum for market rebound

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

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

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

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

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

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

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

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

BUSINESS REVIEW

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

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

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

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

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

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

3. **Multimedia animation entertainment business:**

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

BUSINESS PROSPECTS

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

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

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

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

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

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

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

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

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

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

The Group has authorized a well-known property developer in the Mainland China to launch several large indoor theme park CA SEGA JOYPOLIS in China in the coming ten years, to further optimize the Group's theme park layout. For overseas theme park project, corresponding planning will be kicked off when the pandemic becomes stable.

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 and 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 2023 with comparative figures for the latest year as follows:

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

Revenue

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

Sales of animation derivative products

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

Establishment and operation of indoor theme parks

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

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

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

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

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

Multimedia animation entertainment

During the year ended 31 March 2022, the Group recognised approximately HK$19.1 million revenue from multimedia animation entertainment, but such revenue was not derived for the year ended 31 March 2023. The revenue from multimedia animation entertainment included income from licencing of animation characters, income for ticket sales for VR Game Centre, trading of VR gaming machines and event activities.

Cost of sales and services

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

Gross profit and gross profit margin

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

Other income

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

Other gains and losses

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

Selling and distribution expenses

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

Research and development expenses

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

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

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

Impairment losses under expected credit loss model, net of reversal

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

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

Loss attributable to owners of the Company

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

Deposits for acquisition of property, plant and equipment

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

Other receivables, deposits and prepayments

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

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Company has received net proceeds of approximately HK$298.6 million after deducting the underwriting fee and commissions and relevant expenses in connection with the global offering on 12 March 2015. As at 31 March 2023, approximately HK$280.0 million of the net proceeds had been used by the Group. The unutilised net proceeds were deposited with a licenced bank in Hong Kong. The following sets forth a summary of the utilisation of the net proceeds:

	Planned use of the Net Proceeds		**Actual utilised as at 31 March 2023**	**Unutilised as at 31 March 2023**
	%	*HK$'million*	*HK$'million*	*HK$'million*
For the capital expenditure and the working capital for the Shanghai *JOYPOLIS* and for use in planning the next *JOYPOLIS*	40.0	119.4	119.4	–
For possible investment in, acquisition of, and/or formation of strategic cooperation with, domestic or international companies which operate animation-related businesses, including without limitation, animation-related event organisers, mobile and internet applications developers and animation-related multi-media platforms	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 2023, the authorised share capital of the Company was HK$500.0 million divided into 5,000,000,000 shares of HK$0.1 each and the issued share capital of the Company was approximately HK$118.2 million divided into 1,182,042,000 shares of HK$0.1 each.

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

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

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

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

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

MORTGAGES AND PLEDGES

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

CONTINGENT LIABILITIES

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

FOREIGN EXCHANGE EXPOSURE

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

ENVIRONMENTAL POLICY

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2023, the Group had 301 employees (31 March 2022: 216 employees). For the year ended 31 March 2023, employees' remuneration and benefits in kind and contribution to the pension scheme (including the Directors' remuneration and benefits in kind and contribution to the pension scheme) amounted to approximately HK$72.5 million (31 March 2022: approximately HK$85.6 million). The decrease was mainly attributable to the decrease of approximately HK$7.0 million in employee remuneration. The Group's remuneration package is determined with reference to the experience and qualification of the individual employees and the general market conditions. The Group also ensures that all employees are provided with adequate training and continued professional opportunities according to their needs. A share option scheme has been established to provide incentives and remuneration to eligible Directors and employees of the Group in recognition of their contributions. On 28 February 2022, 42,910,000 options have been granted to the eligible Directors, employees and a consultant pursuant to the share option scheme adopted by the Company on 16 February 2015.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Save as the repayment of guaranteed note and the placing of bonds as disclosed under the section headed "Capital Structure, Liquidity and Financial Resources" in this 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 2023.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

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

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

OTHER INFORMATION

Compliance with Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules during the Reporting Period.

Code provision C.2.1

The Code provision C.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 serves as chairman as well as chief executive officer of the Company and this dual role leadership has been in practice by the Company for many years. Such deviation is deemed appropriate as it is considered to be more efficient to have one single person to be chairman of the Company as well as to discharge the executive functions of a chief executive thereby enabling more effective planning and better execution of long-term strategies. In addition, the balance of power is ensured by the following reasons:

– the audit committee of the Company is comprised of all independent non-executive Directors; and

– the independent non-executive Directors have free and direct access to the Company's external auditor and independent professional advisers when considered necessary.

The Board believes that the present structure is considered to be appropriate under the current size of operation, enabling the Company to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. CHONG, and believes that his appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company. The Company will review the current structure when and as it becomes appropriate.

Save as disclosed above, the Company has complied with the applicable code provisions of the CG Code during the Reporting Period.

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 2023.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision C.5.3 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted during the Reporting Period after making reasonable enquiry.

The Company has complied with the applicable code provisions of the CG Code during the Reporting Period, except from the deviation from code provision C.2.1 of the CG Code from 1 January 2022 to 16 November 2022.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 March 2023.

AUDIT COMMITTEE

The Group's annual results for 2023 have been reviewed by the Audit Committee of the Company.

The Audit Committee has considered and reviewed the Group's annual results for the year ended 31 March 2023, the accounting principles and practices adopted by the Company and the Group and discussed matters in relation to internal control and financial reporting with the management. The Audit Committee considers that the annual financial results for the year ended 31 March 2023 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

SCOPE OF WORK OF KTC PARTNERS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, KTC Partners CPA LIMITED, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KTC Partners CPA LIMITED in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KTC Partners CPA LIMITED on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditors' report on the Group's consolidated financial statements for the year ended 31 March 2023 which included a disclaimer of opinion:

BASIS FOR DISCLAIMER OF OPINION

Material uncertainties relating to going concern

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

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

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

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

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

(i) the debt restructuring of the Group's bonds payables and amounts owed to the creditors of the Group will be successfully completed;

(ii) the winding-up petitions will be successfully dismissed;

(iii) additional new sources of financing as and when needed will be successfully obtained;

(iv) measures to speed up the collection of outstanding sales proceeds and effectively control costs and expenses will be successfully implemented; and

(v) relationship with the Group's existing lenders will be successfully maintained such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings and other debts with principal and interest payments in default.

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

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

ANNUAL GENERAL MEETING

The forthcoming Annual General Meeting ("**AGM**") will be held on Wednesday, 30 August 2023. A notice convening the AGM and all other relevant documents will be published and despatched to shareholders.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Wednesday, 30 August 2023, the registers of members of the Company will be closed from Friday, 25 August 2023 to Wednesday, 30 August 2023, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Friday, 25 August 2023.

PUBLICATION OF 2023 ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement of the Group for 2023 is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.animatechina.com. The 2022/23 Annual Report containing all applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the above websites in July 2023.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to the management and staff of the Group for their commitment and contribution during the year. I would also like to express my appreciation to the guidance from the regulators and continued support from our shareholders and customers.

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 dispatched 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 2023

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