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華夏文化科技集團
CA CULTURAL TECHNOLOGY GROUP

CA CULTURAL TECHNOLOGY GROUP LIMITED

華夏文化科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01566)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

31 MARCH 2020 FINANCIAL HIGHLIGHTS

- Revenue was approximately HK\$392.9 million for the year ended 31 March 2020, representing a decrease of approximately 37.9% as compared with approximately HK\$632.9 million for the year ended 31 March 2019.
- Gross profit was approximately HK\$62.9 million for the year ended 31 March 2020, representing a decrease of approximately 60.4% as compared with approximately HK\$158.7 million for the year ended 31 March 2019. Gross profit margin for the year ended 31 March 2020 was approximately 16.0%, representing a decrease of approximately 9.1% as compared with approximately 25.1% for the year ended 31 March 2019.
- Profit attributable to owners of the Company was approximately HK\$134.5 million, representing an increase of approximately 130% as compared with approximately HK\$58.4 million for the year ended 31 March 2019.
- Basic earnings per share amounted to approximately 15 HK cents for the year ended 31 March 2020, representing an increase of approximately 150% as compared with 6 HK cents for the year ended 31 March 2019.

For the reasons explained below under “Review of Unaudited Annual Results”, the auditing process for the annual results of CA Cultural Technology Group Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) has not been completed. The unaudited consolidated annual results of the Company for the year ended 31 March 2020 have not yet been agreed with the auditor of the Company.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to present the unaudited consolidated annual results of the Group for the year ended 31 March 2020, together with the comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

| | <i>NOTES</i> | 2020 HK\$'000 (Unaudited) | 2019 <i>HK\$'000</i> (Audited) |
|---|--------------|---|--------------------------------------|
| Revenue | 3 | 392,937 | 632,881 |
| Cost of sales and services | | (329,995) | (474,205) |
| Gross profit | | 62,942 | 158,676 |
| Other income | | 4,588 | 7,515 |
| Other gains and losses | 4 | 192,867 | 78,650 |
| Selling and distribution expenses | | (23,432) | (22,840) |
| Administrative expenses | | (116,947) | (93,129) |
| Research and development expenses | | (13,731) | (17,986) |
| Share of revaluation gain of interest in a joint venture | | 89,057 | – |
| Share of result of an associate | | – | – |
| Finance costs | | (68,334) | (55,363) |
| Impairment loss on trade and other receivables | | – | (10,614) |
| Other expenses | | (387) | (188) |
| Profit before taxation | | 126,623 | 44,721 |
| Taxation | 5 | 6,895 | 14,843 |
| Profit for the year | 6 | 133,518 | 59,564 |
| Other comprehensive income (expense): | | | |
| <i>Item that will not be reclassified to profit or loss:</i> | | | |
| Remeasurement of defined benefit plans | | (1,752) | 838 |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences arising on translation of: | | | |
| – subsidiaries | | (6,500) | (10,485) |
| – associate | | – | (451) |
| Fair value loss on financial assets at fair value through other comprehensive income | | (26,394) | (54,654) |
| Other comprehensive expense for the year | | (34,646) | (64,752) |
| Total comprehensive income (expense) for the year | | 98,872 | (5,188) |

| | <i>NOTES</i> | 2020 <i>HK\$'000</i> (Unaudited) | 2019 <i>HK\$'000</i> (Audited) |
|---|--------------|--|--------------------------------------|
| Profit for the year attributable to: | | | |
| Owners of the Company | | 134,463 | 58,372 |
| Non-controlling interests | | (945) | 1,192 |
| | | 133,518 | 59,564 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 100,196 | (9,101) |
| Non-controlling interests | | (1,324) | 3,913 |
| | | 98,872 | (5,188) |
| Earnings per share | 8 | | |
| – Basic (HK\$) | | 0.15 | 0.06 |
| – Diluted (HK\$) | | N/A | N/A |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

| | <i>NOTES</i> | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Audited) |
|--|--------------|---|-------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 354,906 | 280,752 |
| Prepaid lease payments | | – | 9,261 |
| Right-of-use assets | | 209,476 | – |
| Goodwill | | 2,472 | 2,472 |
| Intangible assets | | 254,479 | 177,996 |
| Interest in an associate | | 5,813 | 5,813 |
| Interest in a joint venture | | 100,253 | – |
| Financial assets at fair value through other comprehensive income | 9 | 165,625 | 107,900 |
| Deposits for acquisition of property, plant and equipment | | 385,420 | 547,637 |
| Deposit for acquisition of long term investment | | – | 5,359 |
| Prepayment to a game developer | | – | 20,400 |
| Rental deposits | | 18,508 | 18,172 |
| Deferred tax assets | | 388 | – |
| Pledged bank deposit | | – | 14,589 |
| | | 1,497,340 | 1,190,351 |
| Current assets | | | |
| Inventories | | 805 | 723 |
| Trade receivables | 10 | 96,037 | 295,859 |
| Right-of-use assets | | 587 | – |
| Other receivables, deposits and prepayments | 11 | 340,283 | 33,992 |
| Amount due from a director | 12 | – | 2,408 |
| Prepaid lease payments | | – | 587 |
| Financial assets at fair value through profit or loss | | 742 | 3,903 |
| Pledged bank deposits | | 15,069 | 96,664 |
| Bank balances and cash | | 52,800 | 50,387 |
| | | 506,323 | 484,523 |

| | <i>NOTES</i> | 2020 HK\$'000 (Unaudited) | 2019 <i>HK\$'000</i> (Audited) |
|---|--------------|---|--------------------------------------|
| Current liabilities | | | |
| Trade payables | 13 | 8,213 | 7,221 |
| Other payables and accruals | | 60,618 | 55,900 |
| Amount due to a director | | 1,464 | – |
| Contract liabilities | | 23,110 | 26,590 |
| Tax payable | | 103,123 | 107,620 |
| Guaranteed note | | 99,267 | 138,957 |
| Bonds | | 124,817 | – |
| Obligation under finance leases | | – | 5,905 |
| Lease liabilities | | 42,293 | – |
| Bank borrowings and other borrowings | 14 | 23,385 | 113,645 |
| | | 486,290 | 455,838 |
| Net current assets | | 20,033 | 28,685 |
| Total assets less current liabilities | | 1,517,373 | 1,219,036 |
| Non-current liabilities | | | |
| Bonds | | 252,605 | 257,528 |
| Bank borrowings and other borrowings | 14 | 27,938 | 14,160 |
| Obligation under finance leases | | – | 13,845 |
| Long term other payables | | 61,158 | 1,182 |
| Deferred tax liabilities | | 2,340 | 3,602 |
| Retirement benefit obligations | | 62 | 192 |
| Provision for reinstatement costs for rented premises | | 32,389 | 31,945 |
| Obligation arising from a put option to a non-controlling interest | | 7,507 | 7,507 |
| Lease liabilities | | 165,947 | – |
| Put option derivatives | | 440 | 440 |
| | | 550,386 | 330,401 |
| Net assets | | 966,987 | 888,635 |
| Capital and reserves | | | |
| Share capital | | 92,006 | 92,006 |
| Reserves | | 869,914 | 790,238 |
| Equity attributable to owners of the Company | | 961,920 | 882,244 |
| Non-controlling interests | | 5,067 | 6,391 |
| Total equity | | 966,987 | 888,635 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

| | Attributable to owners of the Company | | | | | | | Non-controlling interests HK\$'000 | Total equity HK\$'000 |
|--|---------------------------------------|---------------------------|---------------------------------|---|--|----------------------------|------------------------------|---------------------------------------|--------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Translation reserve HK\$'000 | Investments revaluation reserve HK\$'000 | Share-based compensation reserve HK\$'000 | Other reserves HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 | |
| At 1 April 2018 | 92,006 | 578,726 | 14,615 | 670 | 10,671 | (89,591) | 303,885 | 910,982 | 911,646 |
| Profit for the year | - | - | - | - | - | - | 58,372 | 58,372 | 59,564 |
| Exchange differences arising on translation of foreign subsidiaries | - | - | (13,532) | - | - | - | - | (13,532) | (10,936) |
| Fair value loss on financial assets at fair value through other comprehensive income | - | - | - | (54,654) | - | - | - | (54,654) | (54,654) |
| Remeasurement of defined benefit plans | - | - | - | - | - | 713 | - | 713 | 838 |
| Total comprehensive expense for the year | - | - | (13,532) | (54,654) | - | 713 | 58,372 | (9,101) | (5,188) |
| Dividend recognised as distribution (Note 7) | - | - | - | - | - | - | (21,161) | (21,161) | (21,161) |
| Recognition of equity-settled share-based payments | - | - | - | - | 1,524 | - | - | 1,524 | 1,524 |
| Capital contribution from non-controlling interests | - | - | - | - | - | - | - | 1,814 | 1,814 |
| At 31 March 2019 | 92,006 | 578,726 | 1,083 | (53,984) | 12,195 | (88,878) | 341,096 | 882,244 | 888,635 |
| Profit for the year (Unaudited) | - | - | - | - | - | - | 134,463 | 134,463 | 133,518 |
| Exchange differences arising on translation of foreign subsidiaries (Unaudited) | - | - | (6,382) | - | - | - | - | (6,382) | (6,500) |
| Fair value loss on financial assets at fair value through other comprehensive income (Unaudited) | - | - | - | (26,394) | - | - | - | (26,394) | (26,394) |
| Remeasurement of defined benefit plans (Unaudited) | - | - | - | - | - | (1,491) | - | (1,491) | (1,752) |
| Total comprehensive expense for the year (Unaudited) | - | - | (6,382) | (26,394) | - | (1,491) | 134,463 | 100,196 | 98,872 |
| Dividend recognised as distribution (Note 7) (Unaudited) | - | - | - | - | - | - | (21,161) | (21,161) | (21,161) |
| Recognition of equity-settled share-based payments (Unaudited) | - | - | - | - | 641 | - | - | 641 | 641 |
| At 31 March 2020 (Unaudited) | 92,006 | 578,726 | (5,299) | (80,378) | 12,836 | (90,369) | 454,398 | 961,920 | 966,987 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1. CORPORATE INFORMATION

CA CULTURAL TECHNOLOGY GROUP LIMITED (formerly known as CHINA ANIMATION CHARACTERS COMPANY LIMITED) (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 25 September 2013 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its parent and ultimate holding company is Bright Rise Enterprises Limited (“**Bright Rise**”), a private company incorporated in the British Virgin Islands. Its ultimate controlling shareholder is Mr. Chong Heung Chung Jason (the “**Controlling Shareholder**”). The registered office of the Company is at Cricket Square, Hutchins Drive, PO BOX 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is 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 NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

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

| | |
|-----------------------|--|
| HKFRS 16 | Leases |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015-2017 Cycle |

Except as described below, the application of the new and 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.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases (“**HKAS 17**”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iii. applied a single discount rate to a portfolio of leases with similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of approximately HK\$103,114,000 and right-of-use assets of approximately HK\$104,750,000 at 1 April 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application.

| | At 1 April 2019 <i>HK\$'000</i> (Unaudited) |
|---|--|
| Operating lease commitments disclosed as at 31 March 2019 | 167,067 |
| Less: Recognition exemption – short-term leases | (2,291) |
| | <hr/> |
| Operating leases liabilities before discounting | 164,776 |
| Less: Other adjustments relating to commitment disclosures | (78,666) |
| Less: Discounting using incremental borrowing rate | (2,746) |
| | <hr/> |
| Operating leases liabilities | 83,364 |
| Finance leases obligation | 19,750 |
| | <hr/> |
| Total lease liabilities recognised upon application of HKFRS 16 | 103,114 |
| | <hr/> |
| Analysed as | |
| Current | 22,303 |
| Non-current | 80,811 |
| | <hr/> |
| | 103,114 |
| | <hr/> |

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

| | At 1 April 2019 <i>HK\$'000</i> (Unaudited) |
|--|--|
| Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 | 83,365 |
| Reclassified from prepaid lease payments (<i>Note i</i>) | 9,848 |
| Reclassified from obligation under finance leases (<i>Note ii</i>) | 11,537 |
| | <hr/> 104,750 <hr/> |
| By class: | |
| Office premises | 93,213 |
| Machinery and equipment | 11,537 |
| | <hr/> 104,750 <hr/> |

Notes:

- (i) Upfront payments for leasehold lands in the PRC and Cambodia were classified as prepaid lease payments as at 31 March 2019. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to approximately HK\$587,000 and HK\$9,261,000 respectively were reclassified to right-of-use assets.
- (ii) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 April 2019 amounting to HK\$11,537,000 as right-of-use assets. In addition, the Group reclassified the obligation finance leases of approximately HK\$5,905,000 and HK\$13,845,000 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.

New and revised HKFRSs issued but not yet effective

| | |
|--|--|
| HKFRS 17 | Insurance Contracts ¹ |
| Amendments to HKFRS 3 | Definition of a Business ² |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material ⁴ |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform ⁴ |

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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

⁴ Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

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 HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and
- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the “New Framework”) and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. REVENUE INFORMATION

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

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

(a) Disaggregation of revenue from contracts with customers

| | 2020 <i>HK\$'000</i> (Unaudited) | 2019 <i>HK\$'000</i> (Audited) |
|---|--|--------------------------------------|
| Sales of animation derivative products | 137,674 | 258,097 |
| Sales of admission tickets and licensing income of indoor theme parks | 226,987 | 325,355 |
| Revenue from multimedia animation entertainment | 28,276 | 49,429 |
| | <u>392,937</u> | <u>632,881</u> |

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

Timing of revenue recognition:

| | 2020 <i>HK\$'000</i> (Unaudited) | 2019 <i>HK\$'000</i> (Audited) |
|------------------|--|--------------------------------------|
| At point in time | 360,757 | 580,786 |
| Over time | 32,180 | 52,095 |
| | <u>392,937</u> | <u>632,881</u> |

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

Service income

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

4. OTHER GAINS AND LOSSES

| | 2020 <i>HK\$'000</i> (Unaudited) | 2019 <i>HK\$'000</i> (Audited) |
|--|--|--------------------------------------|
| Net exchange (loss)/gain | (745) | 39 |
| Net gain on a put option to a non-controlling interest | – | 301 |
| Gain from changes in fair value of financial assets mandatorily measured at FVTPL | 183 | 62 |
| Gain/(loss) on disposal of property, plant and equipment | 19,131 | (3,673) |
| Write-down of inventories | (80) | – |
| Other gain | – | 3,266 |
| Gain on disposal of a subsidiary | 72,977 | – |
| Gain on disposal of intangible assets | 101,401 | 78,655 |
| | <u>192,867</u> | <u>78,650</u> |

5. TAXATION

The tax (credit) charge comprises:

| | 2020 <i>HK\$'000</i> (Unaudited) | 2019 <i>HK\$'000</i> (Audited) |
|-----------------------------------|--|--------------------------------------|
| Hong Kong Profits Tax: | | |
| Current tax | – | 218 |
| Overprovision in prior years | (7,286) | (13,510) |
| PRC Enterprise Income Tax (“EIT”) | 73 | 4 |
| Corporate tax in Japan | | |
| Current tax | 318 | – |
| Overprovision in prior years | – | (215) |
| | <u>(6,895)</u> | <u>(13,503)</u> |
| Deferred taxation for the year | – | (1,340) |
| | <u>(6,895)</u> | <u>(14,843)</u> |

6. PROFIT FOR THE YEAR

| | 2020 <i>HK\$'000</i> (Unaudited) | 2019 <i>HK\$'000</i> (Audited) |
|--|--|--------------------------------------|
| Profit for the year has been arrived at after charging: | | |
| Staff costs: | | |
| Directors' emoluments | 5,077 | 5,260 |
| Other staff costs | | |
| Salaries and other benefits | 86,577 | 92,446 |
| Retirement benefit schemes | 11,221 | 15,245 |
| Defined benefits costs | 1,329 | 984 |
| Share-based payments expense | 298 | 707 |
| | <u>104,502</u> | <u>114,642</u> |
| Auditor's remuneration | | |
| – audit services | 3,271 | 3,350 |
| – non-audit services | – | 350 |
| | <u>3,271</u> | <u>3,700</u> |
| Cost of inventories recognised as expenses | 99,139 | 182,587 |
| Depreciation of property, plant and equipment | | |
| – Cost of sales and services | 33,409 | 44,049 |
| – Administrative expenses | 11,834 | 11,290 |
| Depreciation of right-of-use assets | | |
| – Cost of sales and services | 35,027 | – |
| – Administrative expenses | 1,774 | – |
| Release of prepaid lease payments | – | 587 |
| Amortisation of intangible assets (included in cost of sales and services) | 15,815 | 29,751 |
| Amortisation of intangible assets (included in administrative expenses) | 26,231 | 227 |
| Minimum operating lease rentals in respect of rented vehicles | – | 169 |
| Lease payments under operating leases in respect of rented premises | | |
| Minimum lease payments | – | 46,546 |
| Contingent rents (<i>note</i>) | – | 3,926 |
| | <u>–</u> | <u>–</u> |

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

7. DIVIDENDS

| | 2020 <i>HK\$'000</i> (Unaudited) | 2019 <i>HK\$'000</i> (Audited) |
|---|--|--------------------------------------|
| Dividends recognised as distributions during the year: | | |
| – Final dividend of HKNil cents per share for the year ended 31 March 2020 (2019: HK2.3 cents per share for the year ended 31 March 2019) | – | 21,161 |

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: final dividend in respect of the year ended 31 March 2019 of HK2.3 cents).

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK\$134,463,000 (2019: HK\$58,372,000) and the weighted average of 920,062,000 ordinary shares (2019: 920,062,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

For the year ended 31 March 2020 and 2019, diluted earnings per share attributable to owners of the Company were not presented because the impact of the exercise of the Company's share options was anti-dilutive.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at FVTOCI include the following:

| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Audited) |
|---|---------------------------------|-------------------------------|
| Equity securities listed in Hong Kong (i) | 81,505 | 107,900 |
| Convertible Notes (ii) | 84,120 | – |
| | <u>165,625</u> | <u>107,900</u> |

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

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

- (ii) On 5 March 2020, a wholly owned subsidiary of the Company has entered into a Share Sale and Purchase Agreement with Hao Tian Media & Culture Company Limited ("**Hao Tian Media**"), a wholly owned subsidiary of a listed company in Hong Kong, Hao Tian Development Group Limited ("**Hao Tian Development**"), in relation to disposal of 50% of the total issued shares of an indirectly wholly owned subsidiary at consideration of HK\$100,000,000, which was satisfied by issuance of convertible note of principal amount of HK\$100,000,000 by Hao Tian Development.

The convertible note is interest free, with maturity date falling on the third anniversary of the issue date, with conversion price of HK\$0.25 per share of the aforesaid listed company in Hong Kong. The fair value of the convertible bonds amounted to approximately HK\$84,120,000, which was estimated by an independent firm of professional valuers. The Group does not expect that the convertible bonds will be transferred to third parties by the Group within the next twelve months and has accordingly classified the convertible bonds as non-current assets.

10. TRADE RECEIVABLES

| | 2020 HK\$'000 (Unaudited) | 2019 <i>HK\$'000</i> (Audited) |
|-------------------------------------|--|--------------------------------------|
| Trade Receivables | 99,442 | 299,264 |
| Less: accumulated impairment losses | (3,405) | (3,405) |
| | <u>96,037</u> | <u>295,859</u> |

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

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

| | 2020 HK\$'000 (Unaudited) | 2019 <i>HK\$'000</i> (Audited) |
|-----------------|--|--------------------------------------|
| 0 to 90 days | 27,163 | 80,676 |
| 91 to 180 days | 6,451 | 16,479 |
| 181 to 365 days | 43,973 | 197,842 |
| Over 365 days | 18,450 | 862 |
| | <u>96,037</u> | <u>295,859</u> |

Included in trade receivables aged within 0 to 90 days and 181 to 365 days is the receivable balance of HK\$Nil (2019: HK\$Nil) and HK\$Nil (2019: HK\$67,119,000) respectively, arose from the sales of admission tickets of the Group's indoor theme parks to the Group's two customers who act as distributors, in which billings were made semi-annually, whilst the related revenue were recognised throughout the reporting period when tickets are surrendered by end customers for the admission of indoor theme park or the tickets are expired. The invoice dates of the remaining receivables approximate the revenue recognition dates.

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

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 is as follows:

| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Audited) |
|-----------------|--|---|
| 0 to 90 days | 41,318 | 104,147 |
| 91 to 180 days | 12,300 | 366 |
| 181 to 365 days | 5,829 | 27 |
| Over 365 days | 55 | – |
| | 59,502 | 104,540 |

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

| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Audited) |
|--------------------------------|--|---|
| United States Dollars ("US\$") | 53,325 | 140,354 |

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Audited) |
|--|--|---|
| Other receivables from disposal of film right and animation characters | 14,212 | – |
| Other receivables from disposal of game applications | 73,800 | – |
| Other receivables from disposal of property, plant and equipment | 59,943 | – |
| Other receivables from disposal of VR esports games | 87,897 | – |
| Other receivables from disposal of exclusive distribution right | 22,768 | – |
| Prepayment to supplier | 38,000 | – |
| Deposits, prepayments and others | 43,663 | 33,992 |
| | 340,283 | 33,992 |

Note: The amounts are repayable within one year.

12. AMOUNT DUE FROM A DIRECTOR

| | 2020 HK\$'000 (Unaudited) | 2019 <i>HK\$'000</i> (Audited) | Maximum outstanding balance during the year <i>HK\$'000</i> |
|--------------------------|--|--------------------------------------|--|
| Chong Heung Chung, Jason | <u>–</u> | <u>2,408</u> | <u>2,408</u> |

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

13. TRADE PAYABLES

| | 2020 HK\$'000 (Unaudited) | 2019 <i>HK\$'000</i> (Audited) |
|----------------|--|--------------------------------------|
| Trade payables | <u>8,213</u> | <u>7,221</u> |
| | <u>8,213</u> | <u>7,221</u> |

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

| | 2020 HK\$'000 (Unaudited) | 2019 <i>HK\$'000</i> (Audited) |
|---------------|--|--------------------------------------|
| 0 to 30 days | 7,996 | 7,004 |
| 31 to 60 days | – | – |
| Over 90 days | <u>217</u> | <u>217</u> |
| | <u>8,213</u> | <u>7,221</u> |

14. BANK BORROWINGS AND OTHER BORROWINGS

| | 2020 <i>HK\$'000</i> (Unaudited) | 2019 <i>HK\$'000</i> (Audited) |
|---|--|--------------------------------------|
| Bank borrowings | 37,036 | 113,645 |
| Other borrowings | 14,287 | 14,160 |
| | 51,323 | 127,805 |
| The carrying amounts of bank borrowings are repayable: | | |
| Within one year | 12,381 | 2,124 |
| Within a period of more than one year but not exceeding two years | 5,238 | – |
| Within a period of more than two years but not exceeding five years | 8,413 | – |
| | 26,032 | 2,124 |
| Carrying amount of bank borrowing that contain a repayment on demand clause (shown under current liabilities) | 11,004 | 111,521 |
| | 37,036 | 113,645 |
| Less: Amount due within one year shown under current liabilities | (23,385) | (113,645) |
| | 13,651 | – |
| Other borrowings | | |
| Within one year | – | – |
| Within a period of more than one year but not exceeding two years | – | – |
| Within a period of more than two years but not exceeding five years | 14,287 | 14,160 |
| | 14,287 | 14,160 |

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

| | 2020 (Unaudited) | 2019 (Audited) |
|-------------------------------|---------------------|-------------------|
| Fixed-rate bank borrowings | 1.07% to 4.17% | 2.15% |
| Variable-rate bank borrowings | – | 3.75% to 4.49% |

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

| | 2020 <i>HK\$'000</i> (Unaudited) | 2019 <i>HK\$'000</i> (Audited) |
|------|--|--------------------------------------|
| US\$ | – | 94,687 |

Included in the bank borrowings balance as at 31 March 2020 are secured bank borrowings of approximately HK\$11,004,000 (2019: HK\$111,521,000) which secured by pledged bank deposits.

Included in the other borrowings balance as at 31 March 2020 are secured by the long-term rental deposits.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

The Epidemic Promotes Online User Activities

The global economic growth has been severely affected by the sudden outbreak of COVID-19. Many offline businesses and activities need to be suspended. On the other hand, online user activities have become active and thus the demand for online education/remote office, domestic online entertainment and health activities has increased significantly resulting in the enhancement on the development and application of AR, VR, online community, game platform and more, which gradually establish and strengthen consumers' lifestyle and habit to use online community, online education, e-commerce and so on, and become the foundation of AIOT era brought by the coming 5G technology.

Theme park business, which is operated in traditional offline channel, is also proactively developing online business platform to provide online experience such as live streaming, virtual theme park to interact with the fans and visitors so as to overcome the geographical barriers, to enhance brand stickiness and to explore more sales channels to stimulate consumptions in return.

BUSINESS REVIEW

To better reflect the current business development and future development of the Group, the Group officially renamed as CA Cultural Technology Group Limited with its new LOGO. The Board believes that the new name and new LOGO could provide the Group with a more appropriate corporate image and identity which benefits the Group's business development and is in the best interests of the Group and Shareholders as a whole.

During the Period under Review, the outbreak of the COVID-19 resulted in a year-over-year drop on the revenue. Together with the decentralised layout strategy implemented earlier, each department has prepared well for anti-epidemic and epidemic prevention to enhance its response capability to speed up resumption of work, which effectively reduced the impact of the epidemic on business operation.

1. Animation Derivatives Business: Productivity Back to Normal Thanks to Effective Decentralised Layout and Strict Epidemic Prevention Measures

The epidemic has had impact on overall animation derivatives business. Since closure of the cities and border shutdown have been announced, purchasing power was suppressed and the operations of the factories and overseas were suspended resulting in a decrease in demand and supply whereas a drop in the number of orders of the Group. However, the new production line of the Group in Cambodia has not been affected but has got additional orders and equipment investment from the clients, which proves the effectiveness of the Group's strategy and it is expected to contribute more stable income to the Group.

The Group continued to implement cost control and efficiency management measures to leverage the overall quality of the Group's product in terms of quality, price, service and more to outstand from the competitive market. Meanwhile, the Group has set up and strictly implemented anti-epidemic emergency plan including provision of N95 masks, protective gears, and other protective equipment to all staff, undertaking strict body temperature screening, sanitisation processes and added ultrared sanitisation equipment to the production line. The Group was one of the first enterprises in the PRC resuming production during the epidemic. And all staff and products are "zero infected" since the resumption and were highly-recognised by the clients.

2. CA SEGA JOYPOLIS and Wonder Forest Indoor Theme Park: Pushes Forward with "Asset-Light" Licensing Model to Expand Global Theme Park Business

The Group continues to license CA SEGA JOYPOLIS and Wonder Forest with "Asset-light" model. During the Period under Review, the Group had three self-owned CA SEGA JOYPOLIS, three self-owned Wonder Forest, one self-owned CA SEGA JOYPOLIS VR theme park and five licensed Wonder Forest.

To cooperate with the local government to control the epidemic situation, all theme parks of the Group have suspended operations to carry out comprehensive sanitisation and prevention countermeasures. Due to the above special arrangement, during the Period under Review, the Group's overall business, and number of visitors of theme park business dropped but the long-term growth of theme park remained positive. The Group has entered a licensing agreement with Junming Group to develop five CA SEGA JOYPOLIS in the PRC in the coming eight to ten years. It is expected to contribute licensing fee, equipment fee and revenue share of the theme park to the Group whereas to increase the brand awareness of the theme park in the Greater China region.

3. Animation-derived Businesses: Jointly Develops IP with Partners, Enhances Business Capability; Completes Worldwide Wireless VR eSports Network Testing to Establish Foundation for Online VR eSports

During the Period under Review, the Group jointly promoted the Group's IP including "The Animal Conference of the Environment" (動物環境會議), "Project Egg" (蛋計劃), "Hanbagui" (憨八龜) and "Amazing UU" (神奇的UU) with the partners to increase its exposure in the market and generate related sales revenue. During the Period under Review, CA SEGA JOYPOLIS Tokyo under the Group also introduced 3D Audio Amusement Facility using Animation IP "Hoozuki no Reitetsu" (鬼燈的冷徹) as the theme, and large thrilling amusement facility "HOUSE OF THE DEAD" (死亡之屋) which attracted a lot of Anime Fans to visit and experience.

In addition, in April 2020, the Group has also acquired a company which engaged in business of developing VR technology and related products, sales of toys and gifts, and the import and export of goods and technology. It owns registered patents of several AR/VR Technologies and registered IP. The Group believes that this acquisition will help strengthen its own VR technology capability and create synergy with other businesses.

During the Period under Review, the Group has completed the global online battle testing of the VR shooting game Tower Tag among Hamburg Germany, Tokyo Japan, Seoul South Korea, and Hong Kong China, as well as the test between the mainland China and Hong Kong, building a foundation for online VR eSports.

FINANCIAL REVIEW

The following sets forth a summary of the performance of the Group for the year ended 31 March 2020 with comparative figures for the latest period year as follows:

| | For the year ended 31 March | |
|--|------------------------------------|------------------|
| | 2020 | 2019 |
| | (Unaudited) | (Audited) |
| Revenue (<i>HK\$'000</i>) | 392,937 | 632,881 |
| Gross profit (<i>HK\$'000</i>) | 62,942 | 158,676 |
| Gross profit margin (%) | 16.0 | 25.1 |
| Profit attributable to owners of the Company (<i>HK\$'000</i>) | 134,463 | 58,372 |

Revenue

The revenue decreased by approximately HK\$240.0 million, or approximately 37.9%, compared to the approximately HK\$632.9 million for the year ended 31 March 2019 to approximately HK\$392.9 million for the year ended 31 March 2020. The decrease was primarily due to the decrease of approximately HK\$120.0 million of revenue from the sales of animation derivative products and approximately HK\$98.4 million of revenue from the operation of indoor theme parks. The decrease was due to the outbreak of the COVID-19, the Group major supplier's factory in Shenzhen and the operations of the theme parks in the PRC and Japan were temporary suspended.

Sales of animation derivative products

The revenue from sales of animation derivative products decreased by approximately 46.6% from approximately HK\$258.1 million for the year ended 31 March 2019 to approximately HK\$137.7 million for the year ended 31 March 2020. The decrease was primarily due to the outbreak of the COVID-19, the Group major supplier's factory in Shenzhen was temporary suspended.

Establishment and operation of indoor theme parks

The revenue from establishment and operation of indoor theme parks decreased by approximately 30.2% from approximately HK\$325.4 million for the year ended 31 March 2019 to approximately HK\$227.0 million for the year ended 31 March 2020.

The number of visitors based on ticket sales decreased by approximately 19.0% from approximately 2.1 million for the year ended 31 March 2019 to approximately 1.7 million for the year ended 31 March 2020.

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

| | 2020 | 2019 |
|-------|--------------|-------------|
| | '000 | '000 |
| PRC | 1,158 | 1,172 |
| Japan | 589 | 891 |

The decrease in revenue and visitors was primarily due to the outbreak of the COVID-19, the operations of the theme parks in the PRC and Japan were temporary suspended.

Multimedia animation entertainment

The revenue from multimedia animation entertainment decreased by approximately HK\$21.1 million, or approximately 42.7%, from approximately HK\$49.4 million for the year ended 31 March 2019 to approximately HK\$28.3 million for the year ended 31 March 2020. The revenue from multimedia animation entertainment included income from licencing of animation characters, income for ticket sales for VR Game Centre, trading of VR gaming machines and event activities. The decrease was primarily due to the partial disposal of the intangible asset rights of “The Animal Conference of the Environment” (動物環境會議) and “Project Egg” (蛋計劃) during the year ended 31 March 2019, which was not incurred during the year ended 31 March 2020.

Cost of sales and services

The cost of sales and services decreased by approximately HK\$142.7 million, or approximately 30.1%, from approximately HK\$474.2 million for the year ended 31 March 2019 to approximately HK\$330.0 million for the year ended 31 March 2020. The decrease was in line with the decrease in the revenue of sales of animation derivative products and the operation of indoor theme parks.

Gross profit and gross profit margin

The Group’s gross profit decreased by approximately HK\$95.8 million, or approximately 60.4%, from approximately HK\$158.7 million for the year ended 31 March 2019 to approximately HK\$62.9 million for the year ended 31 March 2020. The Group’s gross profit margin decreased from approximately 25.1% for the year ended 31 March 2019 to approximately 16.0% for the year ended 31 March 2020. The decrease in gross profit and gross profit margin was mainly due to the temporary suspensions of the Group major supplier’s factory and theme parks in the PRC and Japan due to the outbreak of COVID-19 as mentioned above.

Other income

Other income decreased by approximately HK\$2.9 million from approximately HK\$7.5 million for the year ended 31 March 2019 to approximately HK\$4.6 million for the year ended 31 March 2020. The decrease was primarily due to insurance claim and compensation of HK\$2.5 million for delay in the grand opening of Qingdao JOYPOLIS were recognised as income during the year ended 31 March 2019.

Other gains and losses

Other gains and losses significantly increased by approximately HK\$114.2 million from approximately HK\$78.7 million for the year ended 31 March 2019 to approximately HK\$192.9 million for the year ended 31 March 2020. This significant increase was due to (i) setting up a joint venture with a business partner by disposal of 50% equity interest in a subsidiary, resulting a gain of approximately HK\$73.0 million; (ii) the disposals of certain intangible assets resulting a gain of approximately HK\$101.4 million; and (iii) the disposal of plants and equipments of Shanghai JOYPOLIS resulting a gain of approximately HK\$19.1 million during the year ended 31 March 2020 as the Group is developing strategic alliance with those business partners to further enhancement of the theme park business and multimedia entertainment business.

Selling and distribution expenses

The selling and distribution expenses increased by approximately HK\$0.6 million, or approximately 2.6%, from approximately HK\$22.8 million for the year ended 31 March 2019 to approximately HK\$23.4 million for the year ended 31 March 2020. The Group's selling and distribution expenses as a percentage of revenue increased from approximately 3.6% for the year ended 31 March 2019 to approximately 6.0% for the year ended 31 March 2020. The increase was primarily due to the increase in advertising and promotion expenses for JOYPOLIS.

Research and development expenses

The research and development expenses decreased by approximately HK\$4.3 million from approximately HK\$18.0 million for the year ended 31 March 2019 to approximately HK\$13.7 million for the year ended 31 March 2020. The decrease was primarily due to the temporary suspension of the operations of the theme parks in Japan due to the outbreak of the COVID-19.

Profit attributable to owners of the Company

The profit attributable to owners of the Company increased by approximately HK\$76.1 million, or approximately 130%, from approximately HK\$58.4 million for the year ended 31 March 2019 to approximately HK\$134.5 million for the year ended 31 March 2020. The increase was primarily due to (i) gains of HK\$101.4 million were recognised on disposals of certain intangible assets; (ii) a gain of HK\$73.0 million on disposal of 50% equity interest in a subsidiary was recognised; and (iii) a gain of HK\$19.1 million on disposal of Shanghai JOYPOLIS' plants and equipments was recognised during the year.

Deposits for acquisition of property, plant and equipment

| | 2020 <i>HK\$'000</i> (Unaudited) | 2019 <i>HK\$'000</i> (Audited) |
|--|---|--------------------------------------|
| Project | | |
| Development and establishment of new Wonder Forest | 230,800 | 237,911 |
| Development and establishment of new Joypolis | 148,876 | 151,126 |
| Renovations for existing theme parks | – | 158,600 |
| Others | 5,664 | – |
| | 385,420 | 547,637 |

Other receivables, deposits and prepayments

The amount was significantly increased by HK\$306.3 million from HK\$34.0 million for the year ended 31 March 2019 to HK\$340.3 million for the year ended 31 March 2020. The increased was mainly due to the receivables from several independent third parties from (i) sales proceeds amounting to HK\$198.7 million from the disposals of intangible assets; and (ii) sale proceed of HK\$59.9 million from disposal of the plants and equipments of Shanghai JOYPOLIS. The Group is developing strategic alliance with these business partners to further enhancement of the theme park business and multimedia entertainment business.

BUSINESS PROSPECTS

The Group will continue to take CA SEGA JOYPOLIS as primary business, animated-derivative products plus VR entertainment to create synergy with “low investment, high return” asset-light model to create maximum profits for the shareholders and investors.

To Expand the Global CA SEGA JOYPOLIS Theme Park Business Layout and to Speed up the Optimisation of the Online Theme Park Platform

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

The Group is respectively planning to develop CA SEGA JOYPOLIS in different places over the world with several partners in the PRC and the overseas. It is expected to contribute licensing fee, equipment sales fee and revenue share to the Group. As for the PRC, the Group has licensed a property developer in the PRC to launch five CA SEGA JOYPOLIS in eight to ten years. As for Overseas, the Group has entered into MOU with another international partner to confirm the location of the theme park in the UK in around six months, while the Group will explore the possibility to launch theme parks in Europe, North America and more. The Group will also upgrade the online theme park sales and ticket platform to offer premium member service such as MR/VR education content, theme park online streaming, IP derivative sales and different online interactions experiences, to increase users’ loyalty and increase revenue sources without the effect of geographical elements.

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

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

To Establish National Esports Model (Containing VR)

The Group has set up a joint venture eSports company with a partner to build eSport venues in the PRC, and to jointly promote professional eSports tournaments nationwide and cultivate national-level eSports team. The Group will be responsible to introduce eSports game content, operation, and offline marketing, while the partner will inject capital to build eSports venues and assist to promote eSports business.

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

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

To Coordinate with National Policies to Press ahead Cultural Industry

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

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 2020, approximately HK\$251 million of the net proceeds had been used by the Group. The unutilised net proceeds were deposited with a licenced bank in Hong Kong. The following sets forth a summary of the utilisation of the net proceeds:

| | Original planned allocation of net proceeds from the Global Offering | | Actual utilised as at 31 March 2020 | Unutilised as at 31 March 2020 |
|---|--|--------------|--|---|
| | % | HK\$'million | HK\$'million | HK\$'million |
| For the capital expenditure and the working capital for the Shanghai <i>JOYPOLIS</i> and for use in planning the next <i>JOYPOLIS</i> | 40.0 | 119.4 | 119.4 | – |
| For possible investment in, acquisition of, and/or formation of strategic cooperation with, domestic or international companies which operate animation – related businesses, including without limitation, animation-related event organisers, mobile and internet applications developers and animation-related multi-media platforms | 30.0 | 89.6 | 42.0 | 47.6 |

| | Original planned allocation of net proceeds from the Global Offering | | Actual utilised as at 31 March 2020 | Unutilised as at 31 March 2020 |
|--|--|--------------|--|---|
| | % | HK\$'million | HK\$'million | HK\$'million |
| For the development, production and technical enhancement of music animation concerts and the related promotional and marketing activities and the development of consignment sales business | 20.0 | 59.7 | 59.7 | – |
| For working capital and general corporate purposes | 10.0 | 29.9 | 29.9 | – |
| Total | 100.0 | 298.6 | 251.0 | 47.6 |

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the authorised share capital of the Company was HK\$500.0 million divided into 5,000,000,000 shares of HK\$0.1 each and the issued share capital of the Company was approximately HK\$92.0 million divided into 920,062,000 shares of HK\$0.1 each.

As at 31 March 2020, the cash and bank balances of the Group were approximately HK\$52.8 million (31 March 2019: approximately HK\$50.4 million). The Group was maintaining similar level to that of last year.

As at 31 March 2020, the Group had a gearing ratio (calculate as secured bank borrowings and other borrowings, lease liabilities, obligation under finance leases, guaranteed note and bonds, divided by total assets) of approximately 36.8% (31 March 2019: approximately 32.5%).

During the year ended 31 March 2020, the Company issued bonds in par in an aggregate principal amount of HK\$116.7 million (31 March 2019: HK\$106.4 million). The bonds are denominated in HK\$ and are unlisted. The bonds are unsecured and carry interest at a nominal rate ranging from 6% to 8.67% per annum, payable semi-annually and annually in arrears with a maturity period ranging from 1.5 to 7.5 years. The proceeds were mainly utilised for the development of indoor theme park business and as general working capital of the Group.

During the year ended 31 March 2020, the Company repaid principal amount of HK\$40 million guaranteed note. The outstanding principal of HK\$100 million has been renewed to mature on 26 September 2020 at a coupon rate of 10.5%. The interest on the guaranteed note is payable semi-annually in arrears and is denominated in HK\$.

TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the year ended 31 March 2020. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage the liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: 2.3 HK cents per share). Due to the global economic environment has been severely affected by the outbreak of COVID-19, the Board believes that it is in the best interest for the Group to keep more liquidity and sufficient working capital for the forthcoming year and will resume for the distribution of dividend when the economy is back to normal.

SIGNIFICANT INVESTMENTS HELD

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

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

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

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

MORTGAGES AND PLEDGES

As at 31 March 2020, a bank deposit of the Group with a carrying value of approximately HK\$15.1 million (31 March 2019: approximately HK\$111.3 million) was pledged to a bank for banking facilities obtained.

CONTINGENT LIABILITIES

The Group did not have significant contingent liabilities as at 31 March 2020 (31 March 2019: 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

The wide spread of COVID-19 since the beginning of 2020 is a fluid and challenging situation facing all the industries of the society. The Group has already assessed the overall impact of the situation on the operation of the Group and taken all possible effective measures to limit and keep the impact in control. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future.

On 23 April 2020, China Animation Group (HK) Limited, an indirect wholly owned subsidiary of the Company had entered into a sales and purchase agreement with an independent third party (the "**Vendor**") and Flourishing Emerald Limited (the "**Target Company**"), pursuant to which the Company conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the entire issued share capital of the Target Company at the consideration of HK\$121,330,000. The consideration will be satisfied by the Company to allot and issue 44,000,000 shares of the Company in accordance with the terms and conditions of the sale and purchase agreement. The transaction was completed on 22 June 2020. Please refer to the Company's announcements dated 23 April 2020 and 22 June 2020 respectively for details of the transaction.

On 29 April 2020, the Company entered into the consultancy agreement with Hain Tian International Financial Holdings Limited (“**HTIFH**”), an independent third party, pursuant to which, the Company engaged HTIFH to, whether through itself or its subsidiaries, provide intermediary services for financing project of the Company and investment advisory service. As a consideration for such services, the Company has agreed to, inter alia, grant HTIFH share options in respect of 100,000,000 shares in the Company. The exercise price of the option share shall be HK\$3.30 per share. The share option period shall be 1 year from the date of grant of the Share Options. Please refer to the Company’s announcement dated 24 April 2020 for details of the transaction.

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 2020, the Group had 357 employees (31 March 2019: 386 employees). The decrease in number of staff was mainly due to optimising the staffing structure for JOYPOLIS during the year. For the year ended 31 March 2020, employees’ remuneration and benefits in kind and contribution to the pension scheme (including the Directors’ remuneration and benefits in kind and contribution to the pension scheme) amounted to approximately HK\$104.5 million (31 March 2019: approximately HK\$114.6 million). The decrease was mainly attributable to the decrease of approximately HK\$5.9 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 29 February 2016, 21,455,400 options have been granted to the eligible Directors, employees and two consulting firms pursuant to the share option scheme adopted by the Company on 16 February 2015. During the year ended 31 March 2018, 8,582,160 options granted to a consulting firm were cancelled.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Save as the repayment of guaranteed note and the placing of bonds as disclosed under the section headed “**Capital Structure, Liquidity and Financial Resources**” in this 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 2020.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

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

REVIEW OF UNAUDITED ANNUAL RESULTS

Due to the transportation control implemented in the PRC and Japan as a result of the outbreak of COVID-19, the audit work has experienced a significant delay and the auditing process for the annual results for the year ended 31 March 2020 has not been completed as at the date of this announcement. In particular, due to partial lockdown measures across various cities, extended suspension of government offices and public services and travel restrictions, certain audit works (including but limited to the assessment of depreciation of tangible and intangible assets, aging analysis of payables and receivables, and impairment thereof) in relation to several subsidiaries of the Group, which are located in Shanghai and Qingdao, PRC and Tokyo, Japan have not been completed. As such, the unaudited annual results contained in this announcement have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Listing Rules. An announcement relating to the audited annual results for the year ended 31 March 2020 will be made when the auditing process is completed by the Company's auditors in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results for the year ended 31 March 2020 have been reviewed by the Audit Committee. The Company will continue to work with its auditor with a view to approving and publishing the audited annual results of the Group for the year ended 31 March 2020.

PUBLICATION OF FURTHER ANNOUNCEMENT(S), THE FINAL RESULTS AND ANNUAL REPORT

This unaudited results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.animatechina.com). Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited annual results of the Group for the year ended 31 March 2020 as agreed by the Company's auditors and the accounting adjustment or material differences (if any) as compared with the unaudited annual results contained herein.

In addition, the Company will issue further announcement(s) as and when necessary if there are other material development in the completion of the auditing process. The Company expects the auditing process will be completed on or before 31 July 2020. The annual report of the Company for the year ended 31 March 2020 will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course and, in any event, not later than 15 August 2020.

The financial information contained herein in respect of the unaudited annual results of the Group for the year ended 31 March 2020 have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

Code provision A.2.1

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set forth in Appendix 10 of the Listing Rules (the “**Model Code**”) as its own code of conduct regarding securities transaction by Director of the Company. Having made specific enquiry with the directors, all directors confirmed that they have fully complied with the required standard as set out in the Model Code throughout the year ended 31 March 2020.

CLOSURE OF THE REGISTER OF MEMBERS

To determine the eligibility of the shareholders of the Company to attend the annual general meeting for the year ended 31 March 2020 to be held on 30 September 2020, the register of members will be closed from 25 September 2020 to 30 September 2020, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant Share certificates must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 24 September 2020.

In addition, the Company would make further announcement(s) in respect of any change of the aforesaid date of the annual general meeting of the Company for the year ended 31 March 2020.

GENERAL INFORMATION

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

PUBLIC FLOAT

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

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

Hong Kong, 30 June 2020

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