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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

The highlights in relation to the unaudited interim results of the Group for the six months ended 30 September 2023 are as follows:

- Revenue was HK\$175.6 million for the six months ended 30 September 2023, representing a decrease of approximately 9.1% as compared with HK\$193.2 million for the six months ended 30 September 2022.
- Gross profit was HK\$20.5 million for the six months ended 30 September 2023, representing a decrease of approximately 39.5% as compared with HK\$33.9 million for the six months ended 30 September 2022. Gross profit margin for the six months ended 30 September 2023 was approximately 11.7%, representing a decrease of approximately 33.1% as compared with approximately 17.5% for the six months ended 30 September 2022.
- Loss attributable to the owners of the Company was HK\$80.6 million for the six months ended 30 September 2023, representing a decrease of approximately 70.3% as compared with HK\$271.8 million for the six months ended 30 September 2022.
- Basic loss per share amounted to 7 HK cents for the six months ended 30 September 2023, representing a decrease of approximately 69.6% as compared with 23 HK cents for the six months ended 30 September 2022.

The board (the “**Board**”) of directors (the “**Directors**”) of CA Cultural Technology Group Limited (the “**Company**”) announces the unaudited interim results of the Company (which together with its subsidiaries, the “**Group**”) for the six months ended 30 September 2023, together with the comparative figures for the corresponding period in 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended	
		30 September	
		2023	2022
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	4	175,617	193,173
Cost of sales and services		(155,119)	(159,315)
Gross profit		20,498	33,858
Other income		344	3,082
Other gains and losses	5	(1,020)	250
Selling and distribution expenses		(6,380)	(47,904)
Administrative expenses		(44,478)	(147,258)
Research and development expenses		(5,639)	(30,203)
Share of loss of associates		(7)	(2,328)
Share of loss of a joint venture		–	(2,404)
Finance costs		(47,785)	(35,564)
Provision for impairment loss under expected credit loss model, net of reversal		(912)	(41,779)
Loss before taxation		(85,379)	(270,250)
Taxation	6	3,795	(773)
Loss for the period	7	(81,584)	(271,023)
Other comprehensive income/(expense):			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign subsidiaries		6,238	13,634
Fair value (loss)/gain on financial assets at fair value through other comprehensive income		(403)	901
Other comprehensive income for the period		5,835	14,535
Total comprehensive expense for the period		(75,749)	(256,488)

		Six months ended	
		30 September	
		2023	2022
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
(Loss)/profit for the period attributable to:			
Owners of the Company		(80,580)	(271,761)
Non-controlling interests		(1,004)	738
		<u>(81,584)</u>	<u>(271,023)</u>
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(75,511)	(258,086)
Non-controlling interests		(238)	1,598
		<u>(75,749)</u>	<u>(256,488)</u>
Loss per share			
	9		
– Basic (HK\$)		(0.07)	(0.23)
– Diluted (HK\$)		N/A	N/A
		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

		30 September 2023 (Unaudited) <i>HK\$'000</i>	31 March 2023 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		93,251	118,877
Right-of-use assets		105,311	125,844
Goodwill		2,425	2,425
Intangible assets		614	2,188
Interest in associates		5,528	5,528
Interest in a joint venture		–	–
Financial assets at fair value through other comprehensive income	10	4,329	4,732
Deposits for acquisition of property, plant and equipment		72,492	72,492
Deposit for a theme park development project		54,400	54,400
Rental deposits		11,962	14,073
		350,312	400,559
Current assets			
Inventories		5,231	6,384
Trade receivables	11	36,644	53,924
Other receivables, deposits and prepayments	12	54,270	63,818
Financial assets at fair value through profit or loss		730	777
Restricted bank balance		793	793
Bank balances and cash		25,893	36,242
		123,561	161,938

		30 September 2023	31 March 2023
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Current liabilities			
Trade payables	13	5,900	6,266
Other payables and accruals		242,328	199,961
Amount due to a director		88	25
Contract liabilities		24,455	26,508
Lease liabilities		27,659	32,321
Tax payable		37,994	42,804
Bonds		712,400	710,376
Guaranteed note		25,000	25,000
Bank borrowings and other borrowings	14	132,784	120,734
		<u>1,208,608</u>	<u>1,163,995</u>
Net current liabilities		<u>(1,085,047)</u>	<u>(1,002,057)</u>
Total assets less current liabilities		<u>(734,735)</u>	<u>(601,498)</u>
Non-current liabilities			
Bonds		8,320	8,019
Bank and other borrowings	14	61,837	92,630
Long term other payables		36	–
Lease liabilities		90,372	111,206
Contract liabilities		28,910	31,706
Provision for reinstatement costs for rented premises		23,994	27,396
Obligation arising from a put option to non-controlling interests		12,407	12,407
		<u>225,876</u>	<u>283,364</u>
Net liabilities		<u>(960,611)</u>	<u>(884,862)</u>
Capital and reserves			
Share capital	15	118,204	118,204
Reserves		(1,070,559)	(995,048)
Equity attributable to owners of the Company		(952,355)	(876,844)
Non-controlling interests		(8,256)	(8,018)
Total capital deficiency		<u>(960,611)</u>	<u>(884,862)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

1. GENERAL

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

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

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

Save as described below, the accounting policies applied to prepare this unaudited condensed consolidated interim financial information for the six months ended 30 September 2023 are consistent with the Group’s annual financial statements for the year ended 31 March 2023, which has been prepared in accordance Hong Kong Financial Reporting Standards (“**HKFRSs**”):

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

4. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from sales of animation derivative products, establishment and operation of indoor theme parks and multimedia animation entertainment in Hong Kong, Japan and the PRC during the six months ended 30 September 2023.

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

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

Segment revenue and results

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

For the six months ended 30 September 2023 (unaudited)

	Sales of animation derivative products <i>HK\$’000</i>	Establishment and operation of indoor theme parks <i>HK\$’000</i>	Multimedia animation entertainment <i>HK\$’000</i>	Total <i>HK\$’000</i>
Segment revenue	71,234	104,380	3	<u>175,617</u>
Segment profit/(loss)	<u>7,455</u>	<u>1,195</u>	<u>(7,467)</u>	1,183
Unallocated expenses				(43,670)
Other gains and losses				118
Finance costs				<u>(43,010)</u>
Loss before taxation				<u>(85,379)</u>

For the six months ended 30 September 2022 (unaudited)

	Sales of animation derivative products <i>HK\$'000</i>	Establishment and operation of indoor theme parks <i>HK\$'000</i>	Multimedia animation entertainment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	91,820	91,982	9,371	<u>193,173</u>
Segment profit/(loss)	<u>15,541</u>	<u>(74,046)</u>	<u>(51,043)</u>	(109,548)
Unallocated income				187
Unallocated expenses				(128,727)
Other gains and losses				166
Finance costs				<u>(32,328)</u>
Loss before taxation				<u>(270,250)</u>

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

All the segment revenue reported above is from external customers.

Timing of revenue recognition:

	Six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
At point in time	174,631	182,913
Over time	986	10,260
	<u>175,617</u>	<u>193,173</u>

Segment assets and liabilities

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

Segment assets

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
Sales of animation derivative products	103,230	99,470
Establishment and operation of indoor theme parks	323,251	390,465
Multimedia animation entertainment	5,054	12,917
	<hr/>	<hr/>
Total segment assets	431,535	502,852
Property, plant and equipment	230	276
Other receivables, deposits and prepayments	5,351	11,813
Goodwill	2,425	2,425
Interest in associates	2,587	2,587
Financial assets at fair value through profit or loss	730	777
Financial assets at fair value through other comprehensive income	4,329	4,732
Restricted bank balance	793	793
Bank balances and cash	25,893	36,242
	<hr/>	<hr/>
Consolidated assets	473,873	562,497

Segment liabilities

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
Sales of animation derivative products	3,165	3,245
Establishment and operation of indoor theme parks	257,811	295,764
	<hr/>	<hr/>
Total segment liabilities	260,976	299,009
Other payables and accruals	182,918	136,355
Amount due to a director	88	25
Secured bank borrowings and other borrowings	194,621	213,364
Tax payable	37,718	42,804
Bonds	720,720	718,395
Guaranteed note	25,000	25,000
Obligation arising from a put option to non-controlling interest	12,407	12,407
Long-term payable	36	–
	<hr/>	<hr/>
Consolidated liabilities	1,434,484	1,447,359

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

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

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

5. OTHER GAINS AND LOSSES

	Six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net exchange gain	294	511
Loss on disposal of fixed assets	(1,896)	(279)
Loss on disposal of financial assets at fair value through profit or loss	–	1
Other gain	582	17
	<u>(1,020)</u>	<u>250</u>

6. TAXATION

	Six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The tax charge comprises:		
Hong Kong Profits Tax	–	597
The PRC Enterprise Income Tax (“EIT”) – Overprovision in prior years	(3,948)	–
The Japan Corporate Tax	153	176
	<u>(3,795)</u>	<u>773</u>

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

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

Corporate tax in Japan is calculated at 23.25% (31 March 2023: 23.25%) on the estimated assessable profit. Pursuant to relevant laws and regulations in Japan, withholding tax is imposed at 20.42% (31 March 2023: 20.42%) and 5% (31 March 2023: 5%) on dividends declared to local investors and foreign investors, respectively, in respect of profit generated by subsidiaries incorporated in Japan. No provision for Japan corporate income tax has been made for the period as the Japan subsidiary has incurred losses for the period.

The Group only notified the Hong Kong Inland Revenue Department (“**IRD**”) of its assessable profits for the years of assessment 2008/09 to 2012/13 in February 2014. After filing the respective tax returns, the Group received Notices of Assessment for the year of assessment 2008/09 in March 2014, the year of assessment 2009/10 in May 2014, and the years of assessment 2010/11 to 2012/13 in July 2014 from the IRD which stated that tax payable for the years of assessment 2008/09 to 2012/13 amounting to approximately HK\$4,566,000 in aggregate, which is based on the amounts reported in tax returns filed by the Group for relevant years. As at 30 September 2023, the IRD has not issued any penalty notice to the Group in respect of the late notification of chargeability for the relevant years, the directors believe that the risk of the IRD issuing an additional assessment for year of assessment 2016/17 in respect of its offshore income claim is low.

The Group has lodged the offshore profits claims in respect of the trading income (other than trading income derived from Hong Kong affiliates of Japanese customers) and licensing income which were derived outside Hong Kong. Hence, the Group estimated the total tax payable for the years of assessment of 2008/09 to 2012/13 (on the assumption that the aforesaid offshore profit claims will be accepted by the IRD) amounted to HK\$4,566,000 and has already paid such amount to the IRD based on the tax returns received. As at 30 September 2023, the offshore profits claims are still under review by the IRD. The directors of the Company are of the opinion that in the event that the offshore profits claims in respect of the trading income are not accepted but the offshore profits claims in respect of the licensing income are accepted by the IRD, the estimated outstanding tax payable by the Group as at 30 September 2023 would be HK\$23,272,000 (31 March 2023: HK\$23,272,000). The directors believe that the Group has made appropriate provision in respect of the possible tax liability.

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

7. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging:		
Staff costs:		
Directors' emoluments	2,066	1,564
Other staff costs		
Salaries and other benefits	32,929	29,815
Retirement benefits scheme contributions	3,846	4,943
Defined benefits costs	2,388	81
	<u>41,229</u>	<u>36,403</u>
Cost of inventories recognised as expenses	67,121	71,245
Depreciation of property, plant and equipment	21,786	25,181
Depreciation of right-of-use assets	12,645	14,460
Amortisation of intangible assets (included in cost of sales and services)	–	16,653
Amortisation of intangible assets (included in administrative expenses)	1,574	407

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

8. DIVIDENDS

During the current interim period, no final dividend in respect of the year ended 31 March 2023 (31 March 2022: Nil) was declared to the owners of the Company.

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 September 2023 (six months ended 30 September 2022: Nil).

9. LOSS PER SHARE

(a) Basic loss per share

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

	Six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss:		
Loss for the purpose of calculating basic and diluted loss per share (loss for the period attributable to owners of the Company)	<u>(80,580)</u>	<u>(271,761)</u>
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>1,182,042</u>	<u>1,182,042</u>

(b) Diluted loss per share

For the six months ended 30 September 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 six months ended 30 September 2023 and 2022.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

11. TRADE RECEIVABLES

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
Trade receivables from contract with customers	254,137	268,248
Less: Allowance fee credit loss	<u>(217,493)</u>	<u>(214,324)</u>
	<u>36,644</u>	<u>53,924</u>

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 major customers with a good track record which may be granted a longer credit period of 180 days.

For customers of licensing income, the Group allows a credit period ranging from 90 to 365 days.

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

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
0 to 90 days	18,820	31,867
91 to 180 days	7,493	2,310
181 to 365 days	1,190	13,042
Over 365 days	<u>9,141</u>	<u>6,705</u>
	<u>36,644</u>	<u>53,924</u>

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
	<i>Note</i>	
Rental deposit	4,923	5,308
VAT recoverable	1,069	1,072
Receivable of disposal of financial asset	–	3,666
Other receivables	3,017	4,517
Prepayments	(i) 45,068	48,996
Amounts due from associates	32	31
Deposit paid	<u>161</u>	<u>228</u>
	<u>54,270</u>	<u>63,818</u>

Note:

- (i) As at 30 September 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\$42,643,000 (31 March 2023: HK\$45,279,000).

13. TRADE PAYABLES

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

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
0 to 30 days	4,365	1,330
Over 90 days	1,535	4,936
	<u>5,900</u>	<u>6,266</u>

14. BANK AND OTHER BORROWINGS

During the period, the Group has drawn new bank borrowings amounting to HK\$2,789,000 (six months ended 30 September 2022: HK\$10,179,000). The bank and other borrowings carry interest at fixed rates ranging from 0.20% to 10% (31 March 2023: 0.20% to 10%) per annum and are repayable on demand or having maturity from 2023 to 2031. The Group repaid bank borrowings of HK\$6,911,000 during the six months ended 30 September 2023 (six months ended 30 September 2022: HK\$7,180,000).

Included in the bank borrowings balance as at 30 September 2023 are secured bank borrowings of approximately HK\$26,633,000 (31 March 2023: HK\$30,174,000) 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 30 September 2023 are borrowings of approximately HK\$60,000,000 (31 March 2023: HK\$60,000,000) which was secured by the Company's shares held by Bright Rise Enterprises Limited (wholly-owned by Mr. CHONG Heung Chung Jason), and approximately HK\$10,514,000 (31 March 2023: HK\$11,797,000) which was secured by the long-term rental deposits.

15. SHARE CAPITAL

	Number of shares of HK\$0.1 each	Share capital HK\$'000
Authorised: At 31 March 2023, 1 April 2023 and 30 September 2023	5,000,000,000	500,000
Issued and fully paid: At 31 March 2023, 1 April 2023 and 30 September 2023	1,182,042,000	118,204

Note:

- (i) All the shares issued ranked pari passu in all respects with the then existing shares in issue.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a multimedia entertainment group in China which is engaged in three main business segments, including:

- 1) expansion of the world's No.1 indoor theme park CA SEGA JOYPOLIS brand through asset-light licensing model;
- 2) animation-derived products trading business, meanwhile on this basis, to explore the IP Pop Toy Collectibles related business;
- 3) Multimedia animation entertainment business focusing on animation IP and VR (including eSports).

CA SEGA JOYPOLIS LTD. (formerly known as “**SEGA Live Creation Inc.**”) is the world's No.1 indoor theme park brand company acquired by the Group from SEGA Holding in 2017. The Group cooperated with different business partners through asset-light licensing model to promote theme park brand. Currently, the Group directly operates three large-scale theme parks CA SEGA JOYPOLIS in Shanghai, China, as well as Tokyo and Sendai, Japan, a licensed CA SEGA JOYPOLIS indoor theme park in Guangzhou and licensed Wonder Forest kids amusement parks in first-tier and second-tier cities in China.

The Group has over 30 years' experience in the IP pop toy industry (mainly IP pop toy manufacturing business), engaging in the trading business as well as relevant value-added services of sales of animation-derived products (mainly toys) featuring a wide range of popular third-party owned animation characters in the Japanese market. Most of the customers of the Group are companies in Japan sourcing animation-derived products for leading toys companies and for leading outdoor theme parks in Japan. The Group maintained a long term and solid relationships with such companies. The Group has accumulated years of experience, resources, and reputation in the animation industry to fully develop the IP pop toy business.

The Group owns the license rights to many famous animation IPs, including two global top 10 national cartoon characters – “Han Ba Gui” and “Violet,” as well as characters from movies and animated dramas such as “The King of Tibetan Antelope”, “Animal Conference on the Environment” and “Amazing UU”. China's first virtual artist “Violet” created by the Group has held 3D Holographic Concerts in Shenzhen and Hong Kong since 2015. The Group also established close cooperative relationships with many world-leading IP brands such as “Transformers” in the US, SEGA Sonic the Hedgehog, and Initial D, etc. The Group also participated in the co-investment and coproduction of the animated series “The Reflection” with internationally famous partners such as Studio Deen from Japan and Stan Lee “Father of Marvel” which was broadcasted over 38 countries and regions.

The Group established VR eSports and VR O2O game model, and became one of the leaders in the VR eSport industry. The Group is the organizer of the eSports tournament in the “World Conference on VR industry 2019” authorized by the China Information Industry Trade Association and the Ministry of Industry and Information Technology. The Group launched its groundbreaking and self-innovated VR eSports game “Huang Yangjie Battle 黃洋界保衛戰” to promote red cultural tourism, which was awarded prestigious industry awards named the “Chinese Information Consumption Innovation award 2018 (2018中國信息消費創新獎)” and the “Gold Award of Chinese eSports Innovative Software 2019 (2019中國電子競技創新獎軟件金獎)” presented by China Information Industry Trade Association (中國信息產業協會). It was also awarded the “Outstanding Award of Global Digital Technology Creative Design Competition 2021” (2021年全球數字科技創意設計大賽傑出獎).

INDUSTRY REVIEW

The impact of COVID-19 is finally receding after three years long. Our business and operations revert to normal after lifting of anti-epidemic measures. The Group continues to be proactive and prudent to recover from the pandemic.

For our Group, whose business is grounded in entertainment, creating experiences that move the heart is the very purpose of our existence. Moreover, creating experiences that captivate and move the heart only once is pointless. To pursue sustainability, it is equally vital that we continue creating such experiences.

Success with IPs and theme parks have equipped the Group with a wealth of knowledge regarding IP and theme park development. To maximize IPs and theme parks potential, we will further advance and pursue our IPs and theme parks.

BUSINESS REVIEW

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

1. Trading business of animation derivative products: orders resumed normal and business performance was similar to the same period last year

The Group’s animation derivative products business department has been striving to explore new customers and keeping an eye on the changes in market costs and product prices, and adjusting marketing approaches and product strategies, aiming to retain existing customers while striving for offering more competitive business conditions. During the Period under Review, orders for the Group’s animation derivative business were generally stable, with only a slight decline recorded.

2. Indoor theme park business: actively developed digital content, upgraded and enriched product line of theme parks to enhance amusement experience

During the Period under Review, following the launched of new theme park product line – JOYPOLIS SPORTS which promote the benefits of “entertainment and sports” in Sendai, Japan in April 2022, the Group has continued to develop a new theme park product line including to promote the benefits of “family and entertainment and sports”.

3. **Multimedia animation entertainment business:**

During the Period under Review, the Group had conducted business negotiation to seek for different IP projects resumptions and cooperations and studied the possibility of entering different related derivatives, including but not limited to theme parks, online streaming, virtual platforms and more.

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 in the previous years. Suffering from the above, the Group incurred material impairments on, among other things, existing construction projects and receivables over the financial years ended 31 March 2022 and 2023 that resulted in the Group to seek for external fundings to sustain its ongoing operations. The Company identified a suitable investor (the "**Investor**") with theme park relevant operation experience and as announced in the Company's announcement dated 15 March 2023 (the "**Joint Announcement**"), entered into a term sheet and two subscription agreements with the Investor, pursuant to which the Company will conditionally implement a debt restructuring by way of a creditors' scheme (the "**Scheme**"), which will be facilitated by the Investor's subscription of the new Shares and the convertible bonds to be issued by the Company under the terms and conditions thereof.

Following the issue of the Joint Announcement, the Company received positive feedbacks and intentions or responses on the feasibility of resuming the Group's stagnated construction projects from its existing business partners to offset its receivables that had already been impaired in the recent years. The Group will be able to generate more stable income through the opening of new theme parks upon completions of the construction projects and resuming of services that focus on enhance users' experience on the gaming amenities of the Group's theme parks. On the other hand, the Scheme has been approved by the requisite majorities of creditors of the Company on a scheme meeting (the "**Scheme Meeting**") held on 27 June 2023. The Company will further report the results of the Scheme Meeting to the Court and fix with the Court a hearing date for sanctioning of the Scheme. The Group believes that the arrangement of the Scheme will significantly improve the Group's financial position and will then allow the Group to resume the upgrade of theme park content, the development of online business and digital content, the launch of new theme park product line and expansion. The Group will be prepared to restart to meet any future challenges.

FINANCIAL REVIEW

The following sets forth a summary of the performance of the Group for the six months ended 30 September 2023 with comparative unaudited figures for the corresponding period last year as follows:

	For the six months ended 30 September	
	2023	2022
Revenue (<i>HK\$'000</i>)	175,617	193,173
Gross profit (<i>HK\$'000</i>)	20,498	33,858
Gross profit margin (%)	11.7	17.5
(Loss)/profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>(80,580)</u>	<u>(271,761)</u>

Revenue

The revenue decreased by HK\$17.6 million, or approximately 9.1%, from HK\$193.2 million for the six months ended 30 September 2022 to HK\$175.6 million for the six months ended 30 September 2023. The decrease was primarily due to a decrease in sales of animation derivative products of HK\$20.6 million.

Sales of animation derivative products

The revenue from sales of animation derivative products decreased by approximately 22.4%, from HK\$91.8 million for the six months ended 30 September 2022 to HK\$71.2 million for the six months ended 30 September 2023, primarily due to that purchase orders placed by the customers were decreased.

Establishment and operation of indoor theme parks

The revenue from establishment and operation of indoor theme parks increased by approximately 13.5% from HK\$92.0 million for the six months ended 30 September 2022 to HK\$104.4 million for the six months ended 30 September 2023. The number of visitors to the indoor theme park in Japan based on ticket sales increased by approximately 22.6% from 0.31 million for the six months ended 30 September 2022 to 0.38 million for the six months ended 30 September 2023.

The decrease in revenue was mainly due to the recognition of the licensing income from the licensed theme park and sales of these park machinery, which is absent during the current reporting period.

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

	2023	2022
	'000	'000
PRC	262	325
Japan	380	314
	642	639

Multimedia animation entertainment

The revenue from multimedia animation entertainment decreased by HK\$9.4 million, or approximately 100.0%, from HK\$9.4 million for the six months ended 30 September 2022 to HK\$3 thousand for the six months ended 30 September 2023. The revenue from multimedia animation entertainment included revenue generated from licensing income, ticket sales for VR games and event activities.

Cost of sales and services

The cost of sales and services decreased by HK\$4.2 million, or approximately 2.6%, from HK\$159.3 million for the six months ended 30 September 2022 to HK\$155.1 million for the six months ended 30 September 2023. The decrease was primarily due to the decrease in the revenue from the trading of animation derivative products.

Gross profit and gross profit margin

The Group's gross profit decreased by HK\$13.4 million, or approximately 39.5%, from HK\$33.9 million for the six months ended 30 September 2022 to HK\$20.5 million for the six months ended 30 September 2023. The Group's gross profit margin decreased from approximately 17.5% for the six months ended 30 September 2022 to approximately 11.7% for the six months ended 30 September 2023. The decrease in the gross profit was mainly due to the decrease in the revenue and increase in the purchase cost of sales of derivative products.

Other gains and losses

The Group recorded a loss approximate HK\$1.0 million for the six months ended 30 September 2023, compared to a gain of approximately HK\$0.3 million for the six months ended 30 September 2022.

Selling and distribution expenses

The selling and distribution expenses decreased by HK\$41.5 million, or approximately 86.6%, from HK\$47.9 million for the six months ended 30 September 2022 to HK\$6.4 million for the six months ended 30 September 2023. The Group's selling and distribution expenses as a percentage of revenue decreased from approximately 24.8% for the six months ended 30 September 2022 to approximately 3.6% for the six months ended 30 September 2023. The decrease was primarily because of the absence in the spending in promotion activities in metaverse, new blockchain technology applications and new product line of theme parks.

Research and development expenses

The research and development expenses decreased by HK\$24.6 million from HK\$30.2 million for the six months ended 30 September 2022 to HK\$5.6 million for the six months ended 30 September 2023. The decrease was primarily due to the absence in the spending in research and development in metaverse, and blockchain technology applications, upgraded and enriched product line of theme parks to enhance amusement experience.

Administrative expenses

The administrative expenses decreased by HK\$102.8 million from HK\$147.3 million for the six months ended 30 September 2022 to HK\$44.5 million for the six months ended 30 September 2023. The decrease was primarily due to: (i) the decrease in the cost of handling charge, man power and the related expenses of approximately HK\$14.3 million due to the strict measures in social distancing imposed by the PRC government during the period due to the COVID-19; (ii) the decrease in the administrative related expenses of approximately HK\$47.8 million in the maintenance of the projects of metaverse, blockchain technology applications, upgraded and enriched product line of theme parks; and (iii) the decrease in the professional and consultancy fee incurred for the projects of metaverse and new blockchain technology applications and new product line of theme parks and legal fee incurred for handling litigations of approximately HK\$24.7 million during the period.

Loss attributable to owners of the Company

Loss attributable to owners of the Company decreased by HK\$191.2 million from HK\$271.8 million for the six months ended 30 September 2022 to HK\$80.6 million for the six months ended 30 September 2023. The decrease was primarily due to: (i) the decrease in gross profit in the amount of approximately HK\$13.4 million from the sales of animation derivative products during the period under review; (ii) the decrease in administrative expenses in the amount of approximately HK\$102.8 million; the decrease in research and development expenses in the amount of approximately HK\$24.6 million and the decrease in selling and distribution expenses in the amount of approximately HK\$41.5 million as mentioned above; (iii) the increase in finance costs in the amount of approximately HK\$12.2 million due to the increase in borrowings during the period; (iv) the decrease in provision for impairment loss under expected credit loss model, net of reversal in the amount of approximately HK\$40.9 million; and (v) the decrease in share of loss of associates and a joint venture of approximately HK\$4.7 million which were adversely affected by the COVID-19 as they are mainly engaged in the licencing business in the PRC.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Company has received net proceeds of approximately HK\$298.6 million after deducting the underwriting fee and commissions and relevant expenses in connection with the global offering on 12 March 2015. As at 30 September 2023, approximately HK\$280.0 million of the net proceeds had been used by the Group. The unutilised net proceeds were deposited with a licensed bank in Hong Kong. With reference to the supplemental announcement of the Company dated 30 November 2023 in relation to the Annual Reports for the years ended 31 March 2022 and 31 March 2023 and change in use of proceed from initial public offering, the following sets forth a summary of the utilisation of the net proceeds:

	Planned use of the Net Proceeds		Unutilised balance as at 31 March 2023	Reallocation for the financial year ended 31 March 2023	Planned use of the Net Proceeds after reallocation	Unutilised as at 30 September 2023	Expected timeline for Unutilised Net Proceeds
	%	HK\$'million	HK\$'million	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	18.6	(18.6)	45.7	-	
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	-	18.6	68.1	18.6	1st to 3rd quarters of 2024
Repayment of bonds, interests and related expenses	1.9	5.7	-	-	5.7	-	
Total	100.0	298.6	18.6	-	298.6	18.6	

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 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 30 September 2023, the cash and bank balances of the Group were HK\$25.9 million (31 March 2023: HK\$36.2 million). The increase was mainly due to repayment of bank and other loans during the six months ended 30 September 2023.

As at 30 September 2023, the Group had a gearing ratio (calculate as bank and other borrowings, lease liabilities, guaranteed note and bonds, divided by total assets) of approximately 223.3% (31 March 2023: approximately 195.6%).

During the six months period ended 30 September 2023, the Company did not issue any bond.

TREASURY POLICIES

The Group has adopted a prudent treasury policy throughout the six months ended 30 September 2023. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage the liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

FUTURE PLANS, MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group will continue to develop the indoor amusement theme parks globally and develop online business and digital content and also launch of new theme park product line. Moreover, the Group will continue to develop VR technology projects including setting up partnerships with an independent third party for selling of VR equipment, development of VR game contents and VR eSports with the integration of new technology and so on.

The Company has identified an investor on the proposed subscription in the shares of the Company and has deposited the escrow money. The Scheme has been approved by the requisite majorities of creditors of the Company on a scheme meeting (the “**Scheme Meeting**”) held on 27 June 2023. The Company has submitted the results Scheme Meeting to the Court for sanctioning of the Scheme and is pending on the releasing of a hearing date.

LITIGATION

(a) **Maxx Capital Finance Limited (HCCW 190/2022 and HCA 1810/2022)**

A winding-up petition (HCCW 190/2022) (the “**Petition**”) was presented on 27 May 2022 against the Company by Maxx Capital (the “**Petitioner**”) for the claim of a guaranteed note issued to the Petitioner, plus outstanding and accrued interest in the sum of approximately HK\$22,893,000, up to 4 May 2022. As the Company believed that the Petitioner had breached its settlement agreement with the Company, on 13 July 2022, the Company filed a summons at the High Court to strike out the Petition (the “**Summons**”).

On 16 January 2023, the High Court of Hong Kong ordered that the Petition filed by Maxx Capital be struck out.

On 30 January 2023, the High Court of Hong Kong ordered that leave be granted to Chen Tengfang and Zou Sailan be substituted as Petitioners. The hearing of the Petition (HCCW 190/2022) dated 17 July 2023 was vacated as the Creditors’ Scheme had been approved by the requisite majorities of the Creditors.

For details, please refer to the announcements of the Company dated 1 June 2022, 8 June 2022, 13 June 2022, 23 June 2022, 18 July 2022, 21 July 2022, 30 November 2022, 23 December 2022, 16 January 2023, 20 January 2023 and 31 January 2023.

On 21 December 2022, the Company has commenced an action against Maxx Capital in HCA 1810/2022 claiming for damages arising from their breach of the settlement agreement by refusing to withdraw the Petition in HCCW 190/2022.

Maxx Capital had filed their defence and counterclaim on 27 June 2023. The Company had filed and served its reply and defence to counterclaim on 27 July 2023.

(b) **ACCP Global Limited (HCA1618/2021)**

On 1 September 2021, ACCP Global Limited (the “**Subscriber**”) entered into a share subscription agreement (“**SSA**”) with the Company pursuant to which the Company conditionally agreed to allot and issue 86,000,000 shares of the Company at a subscription price of HK\$2.50 per share to the Subscriber. On 29 September 2021, the shares of the Company were allotted and issued to the Subscriber in two batches with the first one consisting of 40,000,000 and the second one comprising 46,000,000 of the shares of the Company. However, the Subscriber refused to pay the full consideration for the Shares at the subscription price pursuant to the SSA on the grounds that the Company allegedly misrepresented that it was in good financial health and standing and was not in default of any of its existing liabilities, despite being in default of multiple bond payables upon the date of SSA. On that basis, the Subscriber claimed that the SSA had been repudiated and was not obliged to perform its obligations pursuant to the SSA. On 26 October 2021, the Subscriber filed a writ of summons (HCA1618/2021) against the Company and Mr. Chong Heung Chung Jason, the chairman and executive director of the Company, to claim for the damages, cost, interest on the damages and further or/and other relief resulting from the alleged fraudulent misrepresentations made by the Company.

The Company denied the alleged misrepresentations and on 6 May 2022, the Company filed a Defence and Counterclaim against the Subscriber and other 2 concerned parties for damages to be assessed, an account of profits and payment of sums found due, cost, interest and further or/and other relief.

Having evaluated the merits of the Company's case, the Directors believe that the Subscriber's claim for the alleged misrepresentation is groundless. In view of the aforesaid, the Directors consider that no provision for this claim is necessary.

On 24 April 2023, the High Court of Hong Kong has made a winding-up order against ACCP Global Limited under HCCW 466/2022.

The action is adjourned to 9 January 2024 for a Case Management Summons hearing.

The Company will seek further legal advice as to seeking leave to continue the action against ACCP Global Limited.

For details of the share subscription, please refer to the announcements of the Company dated 1 September 2021 and 8 December 2021.

(c) Claims from bond and other loan holders

Up to the Latest Practicable Date, several demand letters and statutory demands were served on the Company by bond and other loan holders of the Company (the " **Holders** "), demanding the Company to repay outstanding bond payables and accrued interest in an aggregate amount of approximately HK\$162,000,000.

As of the Latest Practicable Date, no legal action has been taken by the Holders. Further, the Company is still proactively negotiating with the Holders for repayment schedules.

Save as disclosed above, as at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors, neither the Company nor any member of the Group was engaged in any litigation or claims of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

FOREIGN EXCHANGE EXPOSURE

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

ENVIRONMENTAL POLICY

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2023, the Group had 239 employees (30 September 2022: 339 employees). For the six months ended 30 September 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 HK\$41.2 million (six months ended 30 September 2022: HK\$36.4 million). The increase was mainly attributable to the increase of HK\$3.1 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 September 2023.

AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL RESULTS

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

The Audit Committee has discussed with the management of the Group and reviewed the unaudited interim financial results of the Group for the six months ended 30 September 2023, including the accounting principles and practices adopted by the Group, and discussed financial related matters.

INTERIM DIVIDEND

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 September 2023 (six months ended 30 September 2022: Nil).

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

Code provision C.2.1

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set forth in Appendix 10 of the Listing Rules (the “**Model Code**”) as its own code of conduct regarding securities transaction by the Directors. Having made specific enquiry with the Directors, all Directors confirmed that they have fully complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2023.

PUBLIC FLOAT

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

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the Company’s website (www.animatechina.com) and the website of the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 September 2023 containing all information required by the Listing Rules will be despatched to the Shareholders and published on the above websites in due course.

By order of the Board
CA Cultural Technology Group Limited
Chong Heung Chung Jason
Chairman and Executive Director

Hong Kong, 30 November 2023

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