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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)

KEY FINDINGS OF INTERNAL CONTROL REVIEW AND CONTINUED SUSPENSION OF TRADING

References are made to (a) the announcement of CA Cultural Technology Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 21 November 2024 in relation to the trading halt; (b) the inside information announcement of the Company dated 13 December 2024; (c) the inside information announcement of the Company dated 10 January 2025 in relation to the Company’s intention to conduct an independent forensic investigation into the background and commercial rationale of various transactions entered into with various parties, including those which eventually led to the impairments made in the financial year of 2022 and 2023; (d) resumption guidance and additional resumption guidance announcements of the Company dated 28 January 2025 and 7 July 2025; and (e) the quarterly update announcements on status of resumption dated 20 February 2025, 20 May 2025, 20 August 2025, 24 November 2025, 24 February 2026 and 17 June 2026 (collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

KEY FINDINGS OF THE INTERNAL CONTROL REVIEW

As stated in the Announcements, the Company has engaged Prism Hong Kong Limited as the internal control consultant (the “**IC Consultant**”) to conduct an Internal Control Review of the internal controls of the Group.

The Internal Control Review covered the period from March 2025 to September 2025 (reviewing historical records from August 2015 to September 2025) and focused on specific areas including project management, asset disposal, design and consulting services, VR game development and impairment assessment. The review aimed to identify internal control deficiencies and provide recommendations for rectification.

The IC Consultant has completed the Internal Control Review and issued the internal control and follow-up assessment report dated 24 March 2026 (the “**IC Report**”).

The key findings of the IC Report and improvement suggestions of the IC Consultant, and the remedial actions taken by the management, are set out below:

1. Construction project management

Summary of key findings	Remedial actions recommended by the IC Consultant	Status of remedial actions
1. Project initiation and budgeting The IC Consultant noted that for seven construction projects starting from 2019, directors’ approval records (e.g., directors’ approval documents or meeting minutes) for project application documents (including the project initiation information and feasibility analysis and project budgets) were not properly preserved or prepared at the time of approval. As a result, the IC Consultant was unable to confirm the information considered and approval process adopted by directors when approving project initiation applications. This damages the completeness of internal governance and record-keeping of directors’ decisions and the future traceability of such decisions. (Medium risk) Additionally, 7 projects starting from 2019 were found to lack a formal “Project Budget Plan”. (Medium risk)	The Group was recommended to establish and implement a retention mechanism for project initiation approval records. For all types of project initiations, the project department should archive and preserve the project initiation application, feasibility analysis, project budget, and relevant supporting documents, together with the directors’ approval records (such as signed approval documents or meeting minutes), to ensure a complete record of the project initiation decision-making process and to facilitate subsequent review and supervision. The project department was recommended to mandate the preparation of a formal “Project Budget Plan” for all new projects and to regularly track actual expenditure against the budget plan in order to identify significant variances and investigate their causes. The Group should also regularly adjust the budget based on actual circumstances to ensure project expenditure remains within the Group’s budgetary framework.	The recommendations were adopted. The Company has updated its “Project Management System” (項目管理制度) to require the project department to properly archive all project initiation materials, including the initiation application, feasibility analysis, project budget, and corresponding board approval records (such as signed documents or meeting minutes). The IC Consultant has confirmed that all project department members are aware of and agree to adhere to this policy. Furthermore, the updated system mandates that project budgets must be carefully compared against historical project costs and revenues, with any differences detailed. The updated system has been circulated to all project department members, and the IC Consultant confirmed the rectification is complete.

Summary of key findings	Remedial actions recommended by the IC Consultant	Status of remedial actions
2. Project contract management Six contracts and agreements reviewed, which were signed from 2016 onwards, did not clearly specify the date of the contract on the signing page. (Low risk) Additionally, the review identified that some project contracts starting from 2022 lacked specific clauses mandating that prepayments must be used for their specified purpose, which could increase the risk of misappropriation by counterparties. (Low risk)	The “Project Management System” and “Contract Management System” (合同管理制度) of the Company should require all contracts to clearly state the signing date and ensure project personnel are aware of this policy. The Group should incorporate a ‘dedicated use of advance payments’ clause into project contracts where advance payments are involved. Where necessary, supplementary agreements shall be executed to ensure funds are utilised for their intended purposes. The project department should require contractors to provide detailed accounts of advance payment usage, subjecting such accounts to supervision and reconciliation. Supervision outcomes shall be reported periodically to the Group's directors to guarantee funds are exclusively used for their designated purposes.	The recommendations were adopted. The Company has updated its “Project Management System” and “Contract Management System” to explicitly require all contracts to clearly state the signing date. Additionally, standard contract templates and the “Contract Management System” have been updated to include general clauses mandating that the specific purposes and dedicated use of prepayments must be incorporated into contracts. The updated system requires the project and finance departments to demand contractors to regularly provide details on the use of prepayments for supervision and reconciliation, and to report the supervision results to the Board periodically.
3. Project settlement For 6 construction projects starting from 2019, payment records relied primarily on bank transfer slips without sufficient supporting vouchers (such as formal receipts or invoices) due to historical document loss from office relocations. (Medium risk) There was also a lack of regular, documented tracking of the flow and usage of large prepayments starting from 2019. (Medium risk)	The finance department of the Company should appropriately retain documents, ensuring both physical and digital copies are archived. The project department and finance department should implement a monthly reporting mechanism to track the status and usage of all prepayments until project completion, and submit reports on prepayment usage to the directors of the Company on a monthly basis.	The recommendations were adopted. The Company has updated its “Project Management System” regarding the archiving and preservation of payment vouchers and supporting documents. The finance department is now explicitly responsible for the centralized management of all project payment-related documents (including contracts, bank slips, and approval records), which must be scanned and archived electronically as backups to the physical copies. Furthermore, the updated system explicitly requires the project and finance departments to continuously track the usage of project prepayments and regularly generate internal reporting records on such usage.

Summary of key findings	Remedial actions recommended by the IC Consultant	Status of remedial actions
4. Prepayment management Amidst the push for “CA Sega Joypolis” and “CA Sega Wonder Forest” as the Group’s core brands in 2017 and 2018, the Group made prepayments to 6 contractors within a short period without a comprehensive long-term plan, which may have increased the risk with capital recovery. (Medium risk) Contracts starting from 2018 lacked clauses for penalizing long-term holding of funds by suppliers and for facilitating continuous monitoring of the use of funds. (Medium risk) Starting from 2015, the prepayments lacked a comprehensive “potential default warning mechanism” to identify and respond to delays (e.g., the gap between project suspension in 2020 and recovery actions in 2022). (Medium risk)	The Company was recommended to formulate a prepayment management system to better plan project advancement. Before making decisions on prepayment, management should give consideration to the actual progress of each project, market fluctuations and capital recovery risks, and avoid making prepayments within a short timeframe. Where necessary, management should consult external independent experts for their opinion. The Company was also recommended to establish a risk warning mechanism involving regular reports from project risk management personnel to management of the Company. The mechanism should identify potential defaults early and trigger immediate response plans based on the level of default risk (e.g., internal capital allocation or legal action).	The recommendations were adopted. The Company has comprehensively updated its “Project Management System” to include several enhanced measures: • Project planning and continuous monitoring: The project department must prepare a “Scheduled Project Advancement Plan” at the initiation stage. Prepayment applications now require rigorous evaluation against actual progress and independent review by the finance department regarding the impact on the Group’s liquidity. High-value prepayments (e.g., exceeding 30% of the contract sum or HK\$5 million) are subject to stricter scrutiny and may require external expert opinions. • Prepayment restrictions: The updated system prohibits one-off full prepayments and requires counterparties to provide sound financial data (e.g., asset-liability ratio not higher than 50% and no short-term liquidity pressure) to support their performance capability. • Penalty on long-term holding of prepayments: Standard contract templates have been updated to include clauses that empower the Group to charge interest or demand additional discounts/compensations if prepayments are held for over a year without translating into project progress. For existing contracts, such safeguard clauses have been incorporated into recently signed restart agreements.

Summary of key findings	Remedial actions recommended by the IC Consultant	Status of remedial actions
		• Default warning mechanism: A formal potential default warning mechanism has been introduced. The project department is required to continuously identify risk factors and submit a “Potential Default Warning Report” on a quarterly basis, which is independently reviewed by the finance department and monitored by the Board. The IC Consultant verified the implementation of this mechanism by reviewing the warning reports and management meeting minutes for the fourth quarter of 2025.

2. Revenue management

Summary of key findings	Remedial actions recommended by the IC Consultant	Status of remedial actions
1. Revenue contracts lacking phased delivery and payment arrangements The IC Consultant reviewed 3 projects related to theme park design, consulting services, and intangible asset licensing. The IC Consultant noted that the revenue contracts did not incorporate effective phased delivery and payment arrangements. While contracts contained payment terms, they were not effectively linked to delivery progress. Consequently, the Group had substantially fulfilled its major performance obligations without fully recovering the corresponding payments, thereby exposing the Group to heightened credit and collection risks. (Medium risk)	The Group was recommended to explicitly link delivery and payment arrangements within its revenue project contracts. The recommendations included: (1) Establishing phased delivery arrangements according to project progress and linking them to instalment payment mechanisms; (2) Requiring prepayments or milestone payments at project initiation or key nodes to mitigate upfront investment risks; and (3) Reasonably assessing payment risks based on the client’s credit status and project amount, and incorporating corresponding safeguard measures into the contracts.	The recommendations were adopted. The Company has updated its “Contract Management System” and standard contract templates to mandate the inclusion of phased delivery and corresponding payment nodes. Furthermore, the Company has promulgated a “Revenue Management System” to ensure its staff understands and complies with the updated requirements.

3. Fixed assets and intangible assets management

Summary of key findings	Remedial actions recommended by the IC Consultant	Status of remedial actions
1. Fixed asset disposals lacking phased delivery and payment arrangements The IC Consultant reviewed the transaction materials for 2 fixed asset disposal projects. The review identified that the Group delivered the relevant assets to the counterparties without having directly received the full cash payments. The absence of phased delivery and payment arrangements could result in the Group bearing capital recovery risks. (Medium risk)	The Group was recommended to optimize its fixed asset disposal transaction arrangements by introducing phased delivery and instalment payment mechanisms. Specifically, the Group should: (1) Establish phased delivery arrangements based on the transaction amount and risk level; and (2) Link each delivery phase strictly to the corresponding payment node.	The recommendations were adopted. The Company has updated its “Fixed Asset Management System” to explicitly require that disposal transactions exceeding HK\$1 million be divided into three delivery phases, while transactions between HK\$200,000 and HK\$1 million be divided into two delivery phases. Each delivery phase must be strictly tied to a payment node, and assets cannot be delivered if the corresponding payment for that phase is not completed.
2. Intangible asset disposals lacking phased delivery and payment arrangements The IC Consultant reviewed 5 intangible asset disposal projects and noted that the Group delivered the relevant assets to the counterparties without having directly received the full cash payments. The lack of phased delivery and payment arrangements increases the risk of capital recovery and potential economic loss. (Medium risk)	The Group was recommended to optimize its intangible asset disposal transaction arrangements by incorporating phased delivery and instalment payment mechanisms into the contracts and execution processes. Specifically, the Group should: (1) Establish phased delivery arrangements according to the transaction amount and risk level; and (2) Ensure each delivery phase is strictly linked to a corresponding payment node.	The recommendations were adopted. The Company has updated its “Intangible Asset Management System” to mandate that intangible asset disposal transactions exceeding HK\$1 million be divided into three delivery phases, and transactions between HK\$200,000 and HK\$1 million be divided into two delivery phases. Every delivery phase must be tied to a payment node, and delivery is prohibited if the corresponding payment is not completed.

Based on the follow-up assessment conducted by the IC Consultant, the IC Consultant confirmed that the Group properly and fully implemented the remedial measures in accordance with the IC Consultant’s recommendations, including the formulation, updating and promulgation of new policies and procedures to strengthen internal controls in the areas of project feasibility analysis and budgeting, project contract management, project settlement and advance payment management. The IC Consultant is of the view that the internal control system is adequate and effective to ensure that the Group complies with the Listing Rules.

COMPLIANCE WITH LISTING RULES

In addition to the operational controls above, the Internal Control Review assessed the Group's compliance with Chapters 14 and 14A of the Listing Rules regarding notifiable and connected transactions. The IC Consultant did not identify any non-compliance with the disclosure requirements under Chapter 14 and Chapter 14A of the Listing Rules for the reviewed transactions.

VIEWS OF THE INDEPENDENT COMMITTEE AND THE BOARD

Having considered the results of the Internal Control Review and the remedial actions taken by the management, the Independent Committee and the Board are of the view that the management has taken adequate and effective remedial actions to address the key findings of the Internal Control Review. Having considered the follow-up assessment conducted by the IC Consultant, the Board is of the view that the Company has in place adequate internal control systems to meet its obligations under the Listing Rules. The Company will continue to enforce its internal control policies and procedures on an ongoing basis and update such policies and procedures as and when appropriate to ensure compliance with the Listing Rules.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been halted with effect from 9:00 a.m. on 21 November 2024 and will continue to be suspended until further notice. The Company will publish further announcement(s) to keep the Company's shareholders and potential investors informed of the development of the Company as and when appropriate, as well as publish quarterly updates on its development pursuant to Rule 13.24A of the Listing Rules.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 7 August 2026

As at 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.