

Executive Directors:

Mr. CHONG Heung Chung Jason
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Ms. LIU Moxiang

Independent Non-executive Directors:

Mr. Ni Zhenliang
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27 April 2026

To the Shareholders

Dear Sir or Madam,

- (1) ENTERING OF THE TERM SHEET AND
THE SUBSCRIPTION AGREEMENTS;**
- (2) CAPITAL REORGANISATION AND CHANGE IN BOARD LOT SIZE;**
- (3) DEBT RESTRUCTURING;**
- (4) ISSUE OF NEW SHARES;**
- (5) ISSUE OF CONVERTIBLE BONDS;**
- (6) APPLICATION FOR WHITEWASH WAIVER;**
- (7) SCHEME'S SPECIAL DEALS;**
- (8) SPECIAL DEAL IN RELATION TO DEED OF SETTLEMENT; AND**
- (9) NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the Joint Announcement and the Settlement Announcement.

The purpose of this circular is to provide you with, among other things, (i) the Capital Reorganisation; (ii) the Change in Board Lot Size; (iii) the transactions under the Proposed Restructuring and the Specific Mandate; (iv) application for the Whitewash Waiver; (v) the Special Deals; (vi) the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the Proposed Restructuring, the Whitewash Waiver and the Special Deals ; (vii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Proposed Restructuring, the Whitewash Waiver and the Special Deals; and (viii) a notice convening the EGM.

2. BACKGROUND

2.1 The Term Sheet for the Proposed Restructuring

On 12 December 2022 (after trading hours), the Company and the Investor have entered into the Term Sheet to set out the in-principle understanding of the Company and the Investor with regard to the Proposed Restructuring which involves the basis and proposal for the implementations of transactions to be contemplated thereunder which include, among other things, the Capital Reorganisation and Change in Board Lot Size, the Debt Restructuring by way of the Creditors' Scheme and the Subscriptions.

The Term Sheet is legally-binding, the signing of which implies that the Company and the Investor have conditionally agreed, and are obligated, to complete all the transactions contemplated thereunder, subject to the fulfilment of their respective conditions precedent. Upon signing of the Term Sheet, trading in the Shares has been halted with effect from 9:00 a.m. on 13 December 2022 at the request of the Company. Upon the issue of the Joint Announcement, trading in the Shares has been resumed with effect from 9:00 a.m. 16 March 2023.

2.2 The Capital Reorganisation and Change in Board Lot Size

As part of the Proposed Restructuring and to facilitate the transactions contemplated under the Term Sheet, the Company shall implement (i) the Capital Reorganisation which involves the Share Consolidation, the Capital Reduction and the Increase in Authorised Share Capital; and (ii) the Change in Board Lot Size.

2.3 The Debt Restructuring by way of the Creditors' Scheme

Pursuant to the Term Sheet, the Company shall proceed with the Debt Restructuring by way of the Creditors' Scheme and the Subscriptions. The Subscriptions will ultimately result in a change in control of the Company, and the Investor has applied for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. Upon completion of the Debt Restructuring, subject to the terms of the Creditors' Scheme, whether they are admitted or unadmitted by the Scheme Administrators, all the debts and liabilities of the Company to the Creditors will be discharged and released in full under Sections 670, 671, 673, and 674 of the Companies Ordinance.

2.4 The Subscriptions

The Subscription Agreements have been entered into on 26 January 2023 and are principally the same as the Term Sheet in substance. Therefore, the Subscription Agreements are considered as extensions of the Term Sheet reflecting the terms and conditions of the transactions proposed under the Debt Restructuring.

2.5 Updates on the Creditors' Scheme

On 27 June 2023, the Creditors' Scheme was approved in the creditors' meeting by the requisite majorities of the Creditors and on 19 March 2024, such approval has become valid after the Creditors' Scheme having been sanctioned by the High Court. There is no fixed timetable for the Creditors' Scheme to become effective after the High Court's sanction. Its effectiveness is conditional solely upon the satisfaction of the conditions precedent stipulated in the Creditors' Scheme.

Set out below is the sequence of the transactions of the Proposed Restructuring upon the Creditors' Scheme having been sanctioned by the High Court:

- (i) EGM to be convened to obtain approval from the Shareholders for the Capital Reorganisation, the Debt Restructuring by way of the Creditors' Scheme, the Subscriptions and their respective transactions contemplated thereunder;
- (ii) the Capital Reorganisation having become effective;
- (iii) the Change in Board Lot Size having become effective;
- (iv) simultaneous completions of the Share Subscription and the CB Subscription;

- (v) completions of the transfer of the Cash Consideration and the Scheme Shares to the SchemeCo;
- (vi) the Creditors' Scheme having become effective; and
- (vii) all the debts and liabilities of the Company to the Creditors will be discharged and released in full.

Further details of the Capital Reorganisation and the Change in Board Lot Size and their respective terms and conditions are set out in the section headed "3. THE CAPITAL REORGANISATION AND CHANGE IN BOARD LOT SIZE" in this circular. Further details of the Debt Restructuring by way of the Creditors' Scheme and its terms and conditions are set out in the section headed "4. THE DEBT RESTRUCTURING BY WAY OF THE CREDITORS' SCHEME" in this circular. Further details of the Share Subscription and the CB Subscription and their respective terms and conditions are set out in the section headed "5. THE SUBSCRIPTIONS" in this circular.

3. THE CAPITAL REORGANISATION AND CHANGE IN BOARD LOT SIZE

3.1 The Capital Reorganisation

The Board has proposed the Capital Reorganisation which will involve the Share Consolidation, the Capital Reduction and the Increase in Authorised Share Capital.

The Share Consolidation

Every ten (10) issued Existing Shares of par value HK\$0.10 each in the share capital of the Company will be consolidated into one (1) issued Consolidated Share of par value HK\$1.00 each.

The Capital Reduction

The share capital of the Company will be reduced by cancelling the paid-up capital to the extent of HK\$0.99 on each of the then issued new Consolidated Shares such that the par value of each issued new Consolidated Share will be reduced from HK\$1.00 to HK\$0.01.

According to the audited consolidated financial statements of the Company for the year ended 31 March 2024, the accumulated loss of the Company was approximately HK\$1,479,067,000.

The credit arising from the Capital Reduction in the amount of approximately HK\$117,022,158 will be fully applied to set off part of the consolidated accumulated loss of the Company.

The Increase in Authorised Share Capital

The authorised share capital of the Company will be increased from HK\$500,000,000 divided into 5,000,000,000 Existing Shares of par value HK\$0.1 each to HK\$10,000,000,000 divided into 1,000,000,000,000 New Shares of par value HK\$0.01 each.

Other than the relevant expenses incurred and to be incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position (save for the credit arising from the Capital Reduction which will be fully applied to set off part of the consolidated accumulated loss of the Company) of the Company.

The Capital Reorganisation will not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any unpaid capital of the Company nor will it result in any change in the relative rights of the Shareholders.

Effects of the Capital Reorganisation

The following table sets out the effect of the Capital Reorganisation on the share capital of the Company, before and after the Capital Reorganisation becoming effective (assuming no Shares are issued or repurchased from the Latest Practicable Date until the effective date of the Capital Reorganisation):

	As at the Latest Practicable Date	Capital Reorganisation having become effective
Par value per Share	HK\$0.10 per Existing Share	HK\$0.01 per New Share
Amount of authorised share capital	HK\$500,000,000	HK\$10,000,000,000
Number of authorised Shares	5,000,000,000 Existing Shares	1,000,000,000,000 New Shares

	As at the Latest Practicable Date	Capital Reorganisation having become effective
Number of issued Shares	1,182,042,000	118,204,200
Paid up share capital	HK\$118,204,200	HK\$1,182,042

Conditions of the Capital Reorganisation

Completion of the Capital Reorganisation is conditional upon:

- (i) the special resolutions in relation to the Capital Reorganisation having been passed by the Shareholders in the EGM;
- (ii) the Cayman Court granting an order confirming the Capital Reduction;
- (iii) compliance with any conditions which the Cayman Court may impose in relation to the Capital Reduction;
- (iv) registration by the Registrar of Companies in the Cayman Islands of the order of the Cayman Court confirming the Capital Reduction and a minute approved by the Cayman Court containing the particulars required under the Companies Act (as revised) of the Cayman Islands with respect to the Capital Reduction;
- (v) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the New Shares resulting from the Capital Reorganisation; and
- (vi) compliance with the relevant legal procedures and requirements under the laws of the Cayman Islands and the Listing Rules, and the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganisation.

The Capital Reorganisation shall be completed prior to, and for the purpose of effectuating, the Debt Restructuring and the Subscriptions. The Capital Reorganisation will become effective when the conditions mentioned above are fulfilled. As at the Latest Practicable Date, none of the above conditions have been fulfilled.

3.2 Change in Board Lot Size

As at the Latest Practicable Date, the Shares are traded in board lots of 1,000 Existing Shares. Conditional upon the Capital Reorganisation having become effective, the Board also proposes to change the board lot size for trading on the Stock Exchange from 1,000 Existing Shares to 8,000 New Shares.

Based on the closing price of HK\$0.09 per Existing Share (equivalent to the theoretical closing price of HK\$0.90 per New Share) as quoted on the Stock Exchange on the Last Trading Day, the value of each existing board lot of 1,000 Existing Shares is HK\$90 and the theoretical value for each new board lot of 8,000 New Shares, assuming the Capital Reorganisation has become effective, would be HK\$7,200.

Based on the closing price of HK\$[0.05] per Existing Share (equivalent to the theoretical closing price of HK\$[0.50] per New Share) as quoted on the Stock Exchange on the Last Trading Day, the value of each existing board lot of 1,000 Existing Shares is HK\$[50] and the theoretical value for each new board lot of 8,000 New Shares, assuming the Capital Reorganisation has become effective, would be HK\$[4,000].

The Change in Board Lot Size will not result in change in the relative rights of the Shareholders. The Change in Board Lot Size is not subject to Shareholders' approval at the EGM.

Exchange of Share Certificates

As the hearing dates for the Capital Reduction have yet to be fixed, the effective date of the Capital Reduction and the Increase in Authorised Share Capital is not ascertainable at present. Further announcement(s) regarding the details of such free exchange of share certificates will be announced as and when appropriate in accordance with the Listing Rules. Should the Capital Reorganisation becoming effective, Shareholders may during the specified period submit share certificates in colour of purple for Existing Shares to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, in exchange, at the expense of the Company, for new share certificates for the New Shares in colour of yellow. After 4:30 p.m. on Thursday, 16 July 2026, certificates for Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each share certificate for Existing Shares cancelled or each new share certificate issued for New Shares, whichever number of certificates cancelled/issued is higher. Nevertheless, certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for certificates for New Shares at any time.

Shareholders should note that after the prescribed time for free exchange of new share certificates, a fee of HK\$2.50 each (or such other amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the Company's Hong Kong branch share registrar for exchange of new share certificates.

Fractional shares

Fractional Consolidated Shares arising from the Share Consolidation will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold and retained for the benefits of the Company.

Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder. Shareholders concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling Shares in a number sufficient to make up an entitlement to receive a whole number of New Shares.

Listing and dealings

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation.

Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The New Shares will be identical in all respects and rank *pari passu* in all respects with each other. All necessary arrangements will be made for the New Shares to be admitted into CCASS.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the New Shares arising from the Capital Reorganisation, the Company has appointed RaffAello Securities (HK) Limited to arrange for matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the New Shares to make up a full board lot, or to dispose of their holding of odd lots of the New Shares for the period from [9:00 a.m. on Tuesday, 23 June 2026] to [4:00 p.m. on Tuesday, 14 July 2026]. Holders of odd lots of the New Shares who wish to take advantage of this matching service either to dispose of their odd lots New Shares or to top up to board lots of 8,000 New Shares, may contact Mr. Elvis Lam of RaffAello Securities (HK) Limited at 1/F, E168, 166–168 Des Voeux Road Central, Hong Kong at telephone number 2545 7722 during this period.

Shareholders should note that successful matching of the sale and purchase of odd lots of the New Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lot trading arrangement is recommended to consult his/her/its own professional advisors.

3.3 Reasons for the Capital Reorganisation and Change in Board Lot Size

The Directors are of the opinion that the proposed Capital Reorganisation will reduce the consolidated accumulated losses of the Company and give greater flexibility to the Company to declare dividends and/or to undertake any corporate exercise which requires the use of distributable reserves in the future, subject to the Company's performance and when the Board considers that it is appropriate to do so in the future. The Increase in Authorised Share Capital will accommodate future expansion and growth of the Group and to provide the Company with greater flexibility to raise funds by allotting and issuing new Shares in the future as and when necessary. The Capital Reduction will reduce the par value of the issued Consolidated Shares from HK\$1.00 per Consolidated Share to HK\$0.01 per New Share. Under the laws of the Cayman Islands, a company may not issue shares at a discount to the par value of such shares. Accordingly, the Capital Reduction will allow greater flexibility in the pricing for any issue of new Shares in the future.

Under Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. Further, pursuant to the requirements set out in "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by Hong Kong Exchanges and Clearing Limited, the expected board lot value per board lot should be greater than HK\$2,000 taking into account the minimum transaction costs for a securities trade. In view of the fact that the Shares had been traded below HK\$0.10 on average and the Shares were trading at under HK\$2,000 per board lot over the past six months

(based on the closing price per Share as quoted on the Stock Exchange), the Board proposes to implement the Share Consolidation and the Change in Board Lot Size in order to comply with the trading requirements of the Listing Rules. The Share Consolidation will reduce the total number of Shares currently in issue. As such, it is expected that the Share Consolidation will bring about a corresponding upward adjustment in the trading price of the Shares and the trading price of the Shares per board lot.

The Share Consolidation and the Change in Board Lot Size enable the Company to comply with the trading requirements under the Listing Rules and reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction cost for each securities trade. With a corresponding upward adjustment in the trading price of the Consolidated Shares, the Board believes that the Share Consolidation will make investing in the Shares more attractive to a broader range of investors, in particular to institutional investors whose house rules might otherwise prohibit or restrict trading in securities that are priced below a prescribed floor, and therefore further broaden the shareholder base of the Company.

The proposed Share Consolidation ratio and the Change in Board Lot Size would enable the share price of the Company and the value of the board lot to comply with the trading requirements under the Listing Rules.

The Directors considered that if the ratio of the Share Consolidation is set to a higher ratio, it may result in substantial reduction in the number of issued Shares or substantial increase in the theoretical share price to such an extent which may further affect the trading liquidity of the Shares in the market or may affect future fundraising activities or corporate actions of the Company. As at the Latest Practicable Date, the Company has no intention or plan to carry out other corporate actions in the next 12 months may have an effect of undermining or negating the intended purpose of the Capital Reorganisation, and the Company does not have intention or any plan to conduct any fund raising activities in the next 12 months. However, the Board cannot rule out the possibility that the Company will conduct debt and/or equity fund raising exercises when suitable fund raising opportunities arise in order to support future development of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

Notwithstanding the costs incurred by the Company for the implementation of the Share Consolidation and the Change in Board Lot Size and the creation of odd lots to the Shareholders, the Board considers that the Share Consolidation and Change in Board Lot Size are justifiable in view of the above reasons. Also considering that the proposed Share Consolidation ratio and the Change in Board Lot Size will facilitate the execution of the Proposed Restructuring for the

benefits as discussed in the section below in this circular, the Board is of the view that the Share Consolidation and the Change in Board Lot Size are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the Capital Reorganisation and Change in Board Lot Size are in the interests of the Company and the Shareholders as a whole.

4. THE DEBT RESTRUCTURING BY WAY OF THE CREDITORS' SCHEME

The Debt Restructuring shall be implemented by way of the Creditors' Scheme.

4.1 Claims against the Company under the Creditors' Scheme

The Claims under the Creditors' Scheme (comprising those of Bondholders, Subsidiary Creditors, Other Lenders and other payables and accruals) were approved by the requisite majorities of Scheme Creditors and became effective upon sanction of the Creditors' Scheme by the High Court on 19 March 2024.

Based on the available books and records of the Company, the estimated total amount of Claims against the Company, as at 31 March 2023 (for the preparation of the Creditors Scheme) and 31 January 2026 are set out as follows,

Type of Creditors	Estimated Claims 31 March 2023		Estimated Claims 31 January 2026	
	(HK\$ million)	%	(HK\$ million)	%
A Bondholders	720.56	65.17	966.38 ^(note)	74.08
B Subsidiary Creditors	251.97	22.79	251.97	19.31
C Other Lenders	132.58	11.99	85.71 ^(note)	6.57
D Other payable and accruals	0.49	0.05	0.49	0.04
Total	1,105.60	100.00	1,304.55	100.00

Note: The amount owes by the Group to China Sun Group Holdings, one of the Other Lenders, was replaced by a bond issued by the Company and such amount, approximately HK\$88.37 million as at 31 January 2026, was subtracted from "Other Lenders" and added to the "Bondholders" under the Creditors' Scheme in the table above.

Save for the Claims set out above, no new or additional claims will be recognised for the purposes of distributions under the Creditors' Scheme. The Creditors' Scheme, having been sanctioned by the High Court, is final and binding in accordance with its terms and the applicable statutory provisions. Except for any accrued interest that may arise over time, no adjustment, revision, or revaluation shall be made to the amounts of the recognised Claims. The amounts of the Claims to be recognised under the Creditors' Scheme will be determined on the date the Creditors' Scheme becomes effective.

Following the Creditors' Scheme becoming effective, the Scheme Administrators will proceed to adjudicate the Claims by verifying, admitting (or rejecting) such Claims, and determining the final admitted amounts (i.e. Admitted Claims). Distributions of the Scheme Assets will then be made by the Scheme Administrators to the holders of the Admitted Claims, details of which are set out below under the sub-section headed "4.4 Distribution of Scheme Assets upon the Creditors' Scheme becomes effective".

As at the Latest Practicable Date, the Company had not entered into any side arrangement with any Creditor and none of the Creditors had any side arrangement(s) with any connected person to the Company in respect of the Creditors' Scheme.

4.2 Background of the Creditors

A. Bondholders

The Company issued bonds during the period from the financial year ended 31 March 2018 to the financial year ended 31 March 2022 to independent third parties for the purpose of fundraising to support the development and expansion of its businesses. The funds raised from these bond were intended for the development of the theme park business as well as for the settlement of its indebtedness, and have been used for those purposes as described below.

For the financial year ended 31 March 2018

Principal amount of bonds issued (HK\$ million)	Identities of the bondholders	Issue Date	Interest		Independent to the Company and its connected persons	The amount of principal and interests outstanding as at 31 March 2023 (HK\$ million)	The amount of principal and interests outstanding as at 31 January 2026 (HK\$ million)
			Rates	Maturity (years)			
103.00	11 independent placees	17/6/2017–12/8/2017	6%	3 years	Yes	25.86	29.62
62.00	12 independent placees	17/7/2017–21/12/2017	6%	5 years	Yes	76.27	105.27
200.00	1 independent placee	27/9/2017	7.5%	3 years	Yes	—	—

Principal amount of bonds issued (HK\$ million)	Identities of the bondholders	Issue Date	Interest		Independent to the Company and its connected persons	The amount of principal and interests outstanding as at 31 March 2023 (HK\$ million)	The amount of principal and interests outstanding as at 31 January 2026 (HK\$ million)
			Rates	Maturity (years)			
25.00	6 independent placees	13/2/2018–26/3/2018	6%	3 years	Yes	—	—
3.00	2 independent placees	19/1/2018–28/3/2018	6%	7.5 years	Yes	3.42	4.41

Total of approximately HK\$393.0 million were raised by the Group for the financial year ended 31 March 2018, of which (i) approximately HK\$262.3 million was used as prepayments for the Group's theme park construction and renovation projects in the PRC; (ii) approximately HK\$123.8 million was used to acquire and increase the Group's shareholding in Joypolis in Shanghai from 51% to 100% and to invest in Wonder Forest; and (iii) approximately HK\$6.9 million was used to settle the Group's indebtedness as at the relevant time.

For the financial year ended 31 March 2019

Principal amount of bonds issued (HK\$ million)	Identities of the bondholders	Issue Date	Interest		Independent to the Company and its connected persons	The amount of principal and interests outstanding as at 31 March 2023 (HK\$ million)	The amount of principal and interests outstanding as at 31 January 2026 (HK\$ million)
			Rates	Maturity (years)			
23.00	5 independent placees	3/4/2018–3/8/2018	6%	3 years	Yes	7.01	9.33
40.00	1 independent placee	6/4/2018	7.5%	3 years	Yes	9.00	11.63
5.00	3 independent placees	6/4/2018–11/6/2018	6%	7.5 years	Yes	5.54	6.99
2.00	1 independent placee	11/5/2018	6%	5 years	Yes	2.14	3.17
4.00	3 independent placees	23/5/2018–15/6/2018	6%	3 years	Yes	4.44	6.01
1.00	1 independent placee	7/6/2018	6%	4 years	Yes	1.20	1.64
1.20	1 independent placee	27/7/2018	6%	3 years	Yes	1.19	1.58
23.20	9 independent placees	15/8/2018–21/12/2018	6%	3 years	Yes	17.18	23.04
7.00	1 independent placee	29/3/2019	8.67%	1.5 years	Yes	—	—

Total of approximately HK\$106.40 million were raised by the Group for the financial year ended 31 March 2019, of which (i) approximately HK\$60.0 million was used as partial repayment for the Company's bond with a principal amount of HK\$200 million that was issued during the

financial year ended 31 March 2018; (ii) approximately HK\$28.5 million was used as prepayments for the Group's theme park construction and renovation projects in the PRC; and (iii) approximately HK\$30.5 million was used to operate and invest in the Group's theme park business.

For the financial year ended 31 March 2020

Principal amount of bonds issued (HK\$ million)	Identities of the bondholders	Issue Date	Interest		Independent to the Company and its connected persons	The amount of principal and interests outstanding as at 31 March 2023 (HK\$ million)	The amount of principal and interests outstanding as at 31 January 2026 (HK\$ million)
			Rates	Maturity (years)			
25.40	5 independent placees	12/4/2019–15/7/2019	8.67%	1.5 years	Yes	—	—
18.50	5 independent placees	22/5/2019–22/10/2019	6%	3 years	Yes	22.57	31.14
34.20	5 independent placees	27/5/2019–27/6/2019	8.67%	1.5 years	Yes	11.26	14.67
3.00	1 independent placee	29/11/2019	6%	2 years	Yes	3.85	5.17
2.00	1 independent placee	20/12/2019	8.67%	1.5 years	Yes	—	—
31.60	7 independent placees	23/12/2019–19/3/2020	6%	3 years	Yes	36.89	51.59
2.00	1 independent placee	21/1/2020	5.5%	2 years	Yes	2.21	3.25

Total of approximately HK\$116.7 million were raised by the Group for the financial year ended 31 March 2020, of which (i) approximately HK\$60.0 million was used as partial repayment for the Company's bond with a principal amount of HK\$200 million that was issued during the financial year ended 31 March 2018; and (ii) approximately HK\$46.7 million was used to support the operation of the Group's theme park business as revenue generated from the Group's theme park during the period declined notably.

For the financial year ended 31 March 2021

Principal amount of bonds issued (HK\$ million)	Identities of the bondholders	Issue Date	Interest		Independent to the Company and its connected persons	The amount of principal and interests outstanding as at 31 March 2023 (HK\$ million)	The amount of principal and interests outstanding as at 31 January 2026 (HK\$ million)
			Rates	Maturity (years)			
65.00	7 independent placees	16/6/2020–11/8/2020	6%	3 years	Yes	66.50	84.31
4.00	1 independent placee	22/7/2020	6%	1 year	Yes	4.95	6.65
4.30	1 independent placee	30/10/2020	8.67%	60 days	Yes	5.79	7.59
42.60	7 independent placees	20/11/2020–27/11/2021	9%	1 year	Yes	55.23	74.31
12.00	3 independent placees	16/2/2021	9%	1 year	Yes	15.46	20.93

Total of approximately HK\$127.90 million were raised by the Group for the financial year ended 31 March 2021, of which (i) approximately HK\$123.9 million was used to settle the bonds previously issued by the Company that had matured; and (ii) approximately HK\$4.0 million was used to support the operation of the Group's theme park business.

For the financial year ended 31 March 2022

Principal amount of bonds issued (HK\$ million)	Identities of the bondholders	Issue Date	Interest		Independent to the Company and its connected persons	The amount of principal and interests outstanding as at 31 March 2023 (HK\$ million)	The amount of principal and interests outstanding as at 31 January 2026 (HK\$ million)
			Rates	Maturity (years)			
10.00	1 independent placee	9/4/2021	9%	1 year	Yes	12.65	17.21
3.00	1 independent placee	3/5/2021	9%	1 year	Yes	3.41	3.55
1.30	1 independent placee	15/6/2021	8.5%	1 year	Yes	1.59	2.18
9.00	1 independent placee	20/7/2021–30/7/2021	9%	1 year	Yes	10.91	15.00
50.00	5 independent placees	27/9/2021	5%	1 year	Yes	53.66	60.76
1.10	1 independent placee	11/1/2022–12/1/2022	0.1%	5.5 years	Yes	1.10	1.10
13.00	1 independent placee	17/1/2022	9%	0.5 years	Yes	14.41	17.73

Total of approximately HK\$87.40 million were raised by the Group for the financial year ended 31 March 2022, of which (i) approximately HK\$37.4 million was used to settle the bonds previously issued by the Company that had matured; and (ii) approximately HK\$50.0 million was used to support the operation of the Group's theme park business.

Subsequent to the end of the financial year ended 31 March 2022, as the Group's financial resources remained tight with limited internal cash generation and the failure of the ACCP Subscription, the Company issued additional bonds to, among other things, implement the Proposed Restructuring and settle the outstanding portion of the service fees owing to its Service Providers. Further information in respect of these bonds and the failure of the Accp Subscription are set out in the sub-sections headed "Issuing of the 2022/23 Bonds" and "Summary of the 2022/23 Bonds" in this letter for further information of the 2022/23 Bonds issued by the Company to the Service Providers during the financial year ended 31 March 2023 as service fees, including but not limited to, their respective principal amounts, outstanding amounts and repayment status. The outstanding portion of the service fees payable by the Group to the Service Providers, instead of being settled directly by the Group, have been included into the Creditors' Scheme and, together with the other overdue bond payables arising from bonds issued during the period from the financial year ended 31 March 2018 to 31 March 2022 as set out in this section, will be fully discharged upon the Creditors' Scheme becoming effective.

B. Subsidiary Creditors

Based on the Company's records as at 31 March 2023 for the preparation of the Creditors' Scheme, each of the Subsidiary Creditors has a Claim against the Company as a result of the assignment of the trade receivables of the Subsidiary Creditors to the Company because this would facilitate the Company to, among other things, centralize its resources, avoid duplicate procedures and be more effective in decisions making in the actions to be taken to collect and recover such trade receivables from the third parties on behalf of the Subsidiary Creditors. No further transactions between the Company and the Subsidiary Creditors since 1 April 2023. The indebtedness amount owed by the Company to the Subsidiary Creditors were resulted from (i) the assignment of the Subsidiary Creditors' trade receivables, which arise from the refund of prepayments in relation to the theme park constructions and disposals of intangible assets and PPEs of the Group and PPSP Services for other third parties (including the provision of authorization of IP-rights) by the Subsidiary Creditors, to the Company; and (ii) that the Company collected certain payments on behalf of the Subsidiary Creditors which were generated from operation of the Subsidiary Creditors. Details of which are set out below:

Table

No.	Name of counterparties in relation to the Subsidiary Creditors' trade receivables	Background of counterparties	Date of assignment	Nature and terms of the relevant transactions giving rise to the trade receivables	Amount of assignment as at the respective date of each assignment (on gross basis) (HK\$ million)	Amount recovered from the counterparties before assignment (HK\$ million)	Amount recovered from the counterparties after assignment (HK\$ million)
1	Arto Design	Principally engaged in renovation engineering, games development and multimedia entertainment over 5 years as at the date of the agreement.	2/9/2022	Please refer to #1 of the "Table: Prepayments in relation to the Parks Constructions" on under the sub-section headed "The Group's impairment losses in relation to the prepayments for the Construction Services" under section "1. The Theme-Park Business" in this letter.	40.86	2.34	1.99
2	Green Metro	Principally engaged in renovation engineering over 5 years as at the date of the agreement.	13/9/2022	Please refer to #2 of the "Table: Prepayments in relation to the Parks Constructions" under the sub-section headed "The Group's impairment losses in relation to the prepayments for the Construction Services" under section "1. The Theme-Park Business" in this letter.	50.33	2.54	2.28

No.	Name of counterparties in relation to the Subsidiary Creditors' trade receivables	Background of counterparties	Date of assignment	Nature and terms of the relevant transactions giving rise to the trade receivables	Amount of assignment as at the respective date of each assignment (on gross basis) (HK\$ million)	Amount recovered from the counterparties before assignment (HK\$ million)	Amount recovered from the counterparties after assignment (HK\$ million)
3	Meijiating	Principally engaged in research and development and design of renovation engineering technology, domestic trade, import and export of goods and technologies over 10 years as at the date of the agreement.	5/9/2022	Please refer to #4 of the "Table: Prepayments in relation to the Parks Constructions" under the sub-section headed "The Group's impairment losses in relation to the prepayments for the Construction Services" under section "1. The Theme-Park Business" in this letter.	45.06	2.49	—
4	Wealth Gather	Principally engaged in renovation engineering, equipment manufacturing (theme park related) and consultancy for theme park business over 10 years as at the date of the agreement.	20/9/2022	Please refer to #6 of the "Table: Prepayments in relation to the Parks Constructions" under the sub-section headed "The Group's impairment losses in relation to the prepayments for the Construction Services" under section "1. The Theme-Park Business" in this letter.	52.83	2.63	—

No.	Name of counterparties in relation to the Subsidiary Creditors' trade receivables	Background of counterparties	Date of assignment	Nature and terms of the relevant transactions giving rise to the trade receivables	Amount of assignment as at the respective date of each assignment (on gross basis) (HK\$ million)	Amount recovered from the counterparties before assignment (HK\$ million)	Amount recovered from the counterparties after assignment (HK\$ million)
5	Arto Design	Principally engaged in renovation engineering, games development and multimedia entertainment over 5 years as at the date of the agreement.	2/9/2022	Please refer to #1 of the "Table: Receivables in relation to the disposals of the Group's intangible assets and PPE" under the sub-section headed "The Group's impairment losses in relation to the disposals of the Group's intangible assets and PPE" under section "3. The Animation and Multimedia Business" in this letter.	6.17	0.32	—
6	Red Perfect	Principally engaged in games development and multimedia entertainment over 9 years as at the date of the agreement.	26/9/2022	Please refer to #2 of the "Table: Receivables in relation to the disposals of the Group's intangible assets and PPE" under the sub-section headed "The Group's impairment losses in relation to the disposals of the Group's intangible assets and PPE" under section "3. The Animation and Multimedia Business" in this letter.	22.92	3.69	—

No.	Name of counterparties in relation to the Subsidiary Creditors' trade receivables	Background of counterparties	Date of assignment	Nature and terms of the relevant transactions giving rise to the trade receivables	Amount of assignment as at the respective date of each assignment (on gross basis) (HK\$ million)	Amount recovered from the counterparties before assignment (HK\$ million)	Amount recovered from the counterparties after assignment (HK\$ million)
7	BVL	Principally engaged in commercial real estate and cultural entertainment real estate development over 8 years as at the date of the agreement.	28/9/2022	Please refer to #1 of the "Table: Receivables in relation to provision of PPSP Services" under the sub-section headed "The Group's impairment losses in relation to its trade receivables through the provision of PPSP Services" under section "2. The Group's PPSP Services under the theme park business" in this letter.	116.60	8.40	—
8	MEL	Principally engaged in commercial real estate and cultural entertainment real estate development over 6 years as at the date of the agreement.	15/9/2022	Please refer to #2 of the "Table: Receivables in relation to provision of PPSP Services" under the sub-section headed "The Group's impairment losses in relation to its trade receivables through the provision of PPSP Services" under section "2. The Group's PPSP Services under the theme park business" in this letter.	39.40	4.60	—

Having considered that,

- (i) it would be more efficient for the Company to centralise its resources to pursue further legal actions and/or conduct further negotiations with these counterparties in order to recover such sums;
- (ii) the management of the Group would be able to allocate and distribute its financial resource optimally during an exceptionally difficult period for the Group, among other things, to settle imminent expenses of members of the Group so as to maintain the operation of the Group's theme park business as a whole;
- (iii) it can avoid duplicate procedures and the extra time incurred for the transfer the proceeds from the receivables (in case of recovery) to the Company from the Subsidiary Creditors;
- (iv) the Company would be able to conduct negotiations with the debtors more effectively given its listed status; and
- (v) given the material amount of and the low likelihood of recovery of the trade receivables, it would be more efficient and beneficial to the Company to negotiate directly with the counterparties to look for alternative repayment options, such as (a) immediate partial repayment; (b) restarting the respective construction and/or renovation projects; (c) reduction of outstanding principal amount; (d) additional collateral/guarantee; (e) revising the repayment schedule; and (f) increasing interest rates or other matters favorable to the Company,

the Directors (including the independent non-executive Directors) are of the view that the assignment of the Subsidiary Creditors' trade receivables to the Company is in the interests of the Company and the Shareholders as a whole.

The Company's management in the PRC has been actively engaging in negotiations with each of the counterparties in relation to the Subsidiary Creditors' trade receivables. For further details of the status of negotiations as at the Latest Practicable Date, please refer to the tables on pages [73 to 77, 84 to 85, 96 to 98 and 109] under the sub-section headed "6. REASONS FOR AND THE PURPOSES OF THE PROPOSED RESTRUCTURING" in this letter in relation to the impairment losses on the Group's prepayments made for construction and/or renovation projects, the impairment losses on the Group's disposal of its intangible assets and the impairment losses on the receivables through provision of PPSP Services.

For avoidance of doubt, although the liabilities of the Group to the Subsidiary Creditors will be discharged upon the Creditors' Scheme becoming effective, the Company remains entitled to pursue the counterparties set out in the table above to recover the receivable sums owed to the Group. Regardless of the results above, the Subsidiary Creditors, who became creditors of the Group as a result of assigning their trade receivables to the Group to facilitate the Company's recovery actions, have indicated that they will not lodge any notice of claim for dividend purposes and will not receive any dividend from the Creditors' Scheme (including the Scheme Assets and Scheme Receivables, if any); such portion of the Scheme Assets will instead be distributed to the other Scheme Creditors.

C. Other Lenders

Sets out below are the background of the Other Lenders, their shareholding percentages of the Company as at the Latest Practicable Date and respective estimated amounts of Claims,

Other Lenders (shareholding % of the Company as at the Latest Practicable Date)	Estimated Claims as at 31 March 2023 (HK\$ million)	Estimated Claims as at 31 January 2026 (HK\$ million)
China Sun Group Holdings Limited (7.27%)	59.89	88.37
Chow Wai Man Grace (0.84%)	28.42	34.04
Wong Yu Man James and Wong Lau Chui Chui Priscilla (7.19%)	21.56	23.39
Starlux Mortgage Limited (nil)	22.71	28.28

As at the Latest Practicable Date, each of China Sun Group Holdings Limited, Chow Wai Man Grace, Wong Yu Man James and Wong Lau Chui Chui Priscilla is a Shareholder. Among the Other Lenders, only China Sun Group Holdings Limited issued a statutory demand to the Company on 22 November 2022 claiming for the amount of approximately HK\$55.78 million.

4.3 The Scheme Assets and Scheme Receivables

The Scheme Assets

Under the Creditors' Scheme and subject to the terms thereof, a Cash Consideration of HK\$160,000,000 will be distributed by the Company to and an aggregated of 59,000,000 Scheme Shares (at the issue price of HK\$0.1772 per New Share) will be issued and allotted under the

Specific Mandate by the Company to the SchemeCo under the Creditors' Scheme for holding for the benefits of the Creditors prior to distributing to the Creditors with Admitted Claims. There will be no cash inflow for the Company in respect of the issue of the Scheme Shares.

The Scheme Receivables

In addition to the Cash Consideration and Scheme Shares, any sums successfully recovered from the Scheme Receivables, after deducting any costs, expenses, and taxes that may be incurred in connection with the Company's recovery actions, will also be included as part of the Scheme Assets for the benefits of the Creditors. The Scheme Receivables, if recovered, will be distributed according to the same term as the other Scheme Assets as set out in the sub-section headed "Distribution of Scheme Assets upon the Creditors' Scheme becomes effective" below. **It should be noted that the likelihood for the recovery of the Scheme Receivables in full amount before the termination of the Creditors' Scheme may be relatively low given that the debtors of the Scheme Receivables have not been responsive to the Company's demands and the potential time required for any legal actions taken against these debtors.** If the Scheme Administrators are satisfied that all dividend has been distributed (which may take around twelve months or more upon the Effective Date, subject to the recovery progress of the Scheme Receivables), they shall give a notice to terminate the Creditors' Scheme, upon which the Scheme Receivables which are unrecovered would be written off in the Creditors' Scheme and no longer be considered as part of the Scheme Assets.

Details and breakdowns of the Scheme Receivables

The following are the details for each of the Scheme Receivables and the Company has already initiated corresponding recovery actions, including but not limited to, legal proceedings towards these debtors.

No.	Name of the parties	Date of agreement arising the amount due from debtors to the Group	Nature of claims	Amount (HK\$'000)
1.	<p data-bbox="252 527 512 725">Debtors: Shenzhen Happy Animation Co., Ltd.* (深圳市歡樂動漫有限公司), beneficially owned by Wang Ruoming</p> <p data-bbox="252 783 512 1027">Creditor/Plaintiff: Animate China Technology (HK) Limited (華夏動漫科技(香港)有限公司), a wholly owned subsidiary of the Company (Note 1)</p>	25 May 2015	The Company, as an investor, agreed to invest RMB6.0 million for a production of an animation film with the debtor. The debtor was supposed to, but did not, share with the Group the profit generated from box office ticket sales and related information such as the production costs broadcasting locations, schedules and marketing efforts of the said animation film so the Company is requesting for a refund of its investment of RMB6.0 million to the Company. (Note 2)	7,500.00

No.	Name of the parties	Date of agreement arising the amount due from debtors to the Group	Nature of claims	Amount (HK\$'000)
2.	<p>Debtors: GZLC and GZCA</p> <p>Creditor/Plaintiff: Animate China Technology (HK) Limited (華夏動漫科技(香港)有限公司), a wholly owned subsidiary of the Company (<i>Note 1</i>)</p>	20 August 2015	<p>The Company, as an investor, agreed to invest RMB4.5 million in exchange for 3% of the equity interests of an entity that intended to apply for listing on an exchange in the PRC. The debtors, at the material time, were considered as a high-technological company that could offer innovative 5-dimensional/7-dimensional/8-dimensional cinema experience and 9-dimensional VR experience products. The Company was given to understand by the debtors that they would co-operate and establish VR stores with the Group and would provide the resources and services to develop the Group IPs.</p> <p>This investment was made with the intention to capture the market share and potential growth to be generated from the fast growing VR Industry. Thereafter, as (i) there were changes in the shareholding structure of both GZLC and GZCA; and (ii) the intention to list on an exchange in the PRC was postponed or cancelled such that the value of the equity interests of 3% was notably dropped, a supplemental agreement was entered into on 20 March 2020 between the Company and the debtors for the debtors to refund the Company's investment of RMB4.5 million. (<i>Note 3</i>)</p>	5,358.60

No.	Name of the parties	Date of agreement arising the amount due from debtors to the Group	Nature of claims	Amount (HK\$'000)
3.	Debtors: (i) ACCP Global (ii) Lau Wang Chi Barry (iii) Well Link Securities Limited, beneficially owned by Hui Chor Tak	1 September 2021	The Group filed a defense and counterclaim against ACCP Global, Lau Wang Chi Barry and Well Link Securities Limited for among other things, the damages resulted from the breaching of the ACCP Subscription Agreement. <i>(Note 4)</i>	215,000.00
Creditor/Plaintiff: The Company				_____
Total:				<u>227,858.60</u>

Notes:

- The creditor for these claims is Animate China Technology (HK) Limited, a wholly owned subsidiary of the Company, instead of the Company. The Company will recover the sums of these receivables on behalf of Animate China Technology (HK) Limited and the amount recovered from these receivables will then be assigned and/or transferred to the SchemeCo to increase the attractiveness of the Creditors' Scheme after deducting costs, expenses, and taxes that may be incurred in connection with the recovery actions.
- A legal demand letter was issued by the Company to this debtor on 26 July 2023 requesting for a recovery of HK\$7.5 million (equivalent to the RMB6.0 million) to the Group. The Group is had filed a lawsuit to 深圳前海合作區人民法院, court in Futian, Shenzhen, and demanded for a compensation for an amount of RMB6.0 million from this debtor. However, the Company is uncertain as to whether it will be able to recover this receivable as the repayment method and timing have not been agreed or determined and as at the Latest Practicable Date, the Company did not receive any return so far.
- A legal demand letter was issued by the Company to these debtors in November 2022 requesting for a recovery of RMB4.5 million to the Group. The Group had filed a lawsuit and had provided evidence to 廣州市南沙區人民法院, court in Nansha, Guangzhou, for their review and demanded for a compensation for an amount of RMB4.5 million from these debtors. Currently, the lawsuit has been withdrawn after GZLC offered alternative settlement arrangements to the Group and the Group and GZLC have resumed negotiations. Pursuant to the negotiations, the Lechuang Group has agreed to continue developing games for incorporation into the Group's theme parks in accordance with the Group's specifications. While the Lechuang Group is completing the ongoing game

development, the Group is also reviewing and assessing the alternative proposals from the Lechuang Group, including a potential share swap arrangement with its members in lieu of a refund of the Group's previous investment. In light of the above, the Group is not expected to receive, and has not received as at the Latest Practicable Date, any cash returns from these debtors that can be included into the Scheme Assets.

4. ACCP Global has received winding-up order from the High Court on 24 April 2023 so Lau Wang Chi Barry and Well Link Securities Limited shall have to bear the legal consequences of the case to indemnify the Group the damages resulted from the ACCP Subscription. Upon taking legal advice, the Company is of the view that this litigation is a meritorious case and the Company is expected to be awarded by the High Court to recover to such sums (whether fully or partially). A hearing of the case took place on 15th July 2024 and the proceedings against ACCP Global will continue pending the leave to be granted by the High Court. As at the last hearing, no decision has been made and the next hearing scheduled to be held on 27 August 2026. The Company will continue its action against ACCP Global, Lau Wang Chi Barry and Well Link Securities Limited.

None of the debtors or their respective ultimate beneficial owners in respect of the Scheme Receivables are related to the Company and its connected persons. The Company, after considering of the above mentioned debtors' latest business relationships with the Group and their latest business operations after the Covid-19, is no longer interested in involving into any further collaborations with these debtors. The Scheme Receivables are included as one of the Scheme Assets so that, upon successful recovery (if any) may increase the attractiveness of the Creditors' Scheme.

Creditors, Shareholders and potential investors of the Company should be reminded that the Company may or may not be able to recover any amount from the Scheme Receivables before the termination of the Creditors' Scheme (which will be decided by the Scheme Administrator) given the uncertainties involved in recovering them. For avoidance of doubt, should the Company not able to recover the Scheme Receivables from its recovery actions, there would not be any impact to the Creditors' Scheme.

4.4 Distribution of Scheme Assets upon the Creditors' Scheme becomes effective

The distribution of the Scheme Assets which comprises the Cash Consideration, the Scheme Shares and the Scheme Receivables, will be conducted in accordance with the terms of the Creditors' Scheme.

Upon the Creditors' Scheme becomes effective, the Scheme Administrators will, among other things, despatch the [claim form] to the Creditors to call proof and perform adjudication on the claims received in order to verify and determine the amount of the Admitted Claims. As soon as practicable after the adjudication of claims, including the amount of the Admitted Claims, the Scheme Administrators will:

- (a) declare and pay the first interim cash dividend to all Scheme Creditors with Admitted Claims on a pro rata basis in respect of the amount of their Admitted Claims to distribute the Cash Consideration, subject to the reservation of any Unadmitted Claims and Scheme Costs;
- (b) send the form of election to the Scheme Creditors with Admitted Claims to elect either (i) the cash option; or (ii) the equity option (but not both) in respect of their entitlement of the Scheme Shares for the portion of the Admitted Claims that are not satisfied by the Cash Consideration.

Scheme Creditors with Admitted Claims will be entitled to be allotted and issued with a number of New Shares which is the equivalent of the fixed number of 59,000,000 divided by the total amount of the remaining portion of the Admitted Claims (i.e.: after the deduction of the amount of first interim dividend received) in proportion to their respective remaining portion of the Admitted Claims.

Scheme Creditors who opt for equity option will be entitled to receive their portion of Scheme Shares from the SchemeCo, and Scheme Creditors who opt for (or being default be regarded as opting for) cash option will receive cash dividend as soon as practicable after the Scheme Administrators sold or realized their portion of the Scheme Shares.

Subject to the terms of the Creditors' Scheme, in the selection of equity option, the Scheme Shares will be deemed to be allotted and issued at HK\$0.1772 per Scheme Share for partial settlement of the respective Admitted Claims. So that if the Scheme Shares were sold at higher than HK\$0.1772 per Share, the Scheme Creditors will gain the windfall but if the Scheme Shares were sold at lower than HK\$0.1772 per Share, the Scheme Creditors will have to suffer the shortfall.

Based on the above, it is expected that upon effective of the Creditors' Scheme, the Scheme Administrators will issue notice to all the Scheme Creditors for the submissions of their claim within 14 days. The timeframe for completion of the adjudication process will be subject to factors such as the responsiveness of the Creditors and the complexity of the claims in nature. After the completion of the adjudication, the Scheme Administrators will send an election form to the Scheme Creditors with Admitted Claims to select either the cash option or equity option (but not both). If any Scheme Creditors fail to make an election in the election form and/or fail to return the signed election form to the Scheme Administrators before the deadline stipulated by the Scheme Administrators, they will by default be regarded as opting for the cash option. Under normal practices but subject to the determination of Scheme Administrators, the Scheme Creditors shall return the election form to Scheme Administrators within 14 days. After that, the Scheme Administrator will be able to confirm whether each of the Scheme Creditors elect the cash option

or the equity option upon the Creditors' Scheme having become effective, upon which the Company will be able to identify whether there are any connected transactions involved in respect of the issuance of the Scheme Shares to the Creditors. Should the issuance of the Scheme Shares to the Creditors constitutes connected transaction under Chapter 14A of the Listing Rules, the Company will comply with the relevant requirements thereof, including but not limited to, obtaining the approval of the independent Shareholders at a general meeting of the Company. Pursuant to the terms of the Creditors' Scheme, the Scheme Assets are payable to the Scheme Administrator, and upon which the Creditors' Scheme will become effective. The subsequent distribution of Scheme Assets by the Scheme Administrator to the Creditors will be handled by the Scheme Administrator independently and accordingly, even if the resolution(s) in relation to the above matters were being voted down by the independent Shareholders, the Debt Restructuring will not be affected and the Scheme Administrator will have to distribute Cash Consideration (as if such Creditor(s) elected the cash option) to such Creditor(s). The Company will provide an update on the Creditors' Scheme by way of announcement(s) as and when appropriate.

As at the Latest Practicable Date, none of the Scheme Creditors are connected persons of the Company. Save for the contracts, agreements and/or arrangements which were related to or resulted in individuals or companies becoming the Creditors, the Company and its connected persons did not enter into any agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) with any Creditors and their respective associates.

Within one month after the allotment to the Scheme Creditors who opt for equity option, the Scheme Administrators, shall take steps to realize and/or sell the remaining number of the Scheme Shares and the Scheme Administrators will endeavour on behalf of the Scheme Creditors, to sell such Scheme Shares on such terms as to price, manner and timing of sale or realisation as the Scheme Administrators, in their absolute discretion, determine is in the best interest of the Scheme Creditors who opt for cash option as a whole. After the realization and/or disposal of the Scheme Shares, the Scheme Administrators shall take steps to distribute the net realization proceeds to the Scheme Creditors who opt for cash option on a pro rata basis.

According to the Creditors' Scheme, the Scheme Assets will be dealt with by the Scheme Administrators in the following order of priority:

- (i) firstly, to pay preferential claims (the Company did not have any preferential claims as at the Latest Practicable Date);
- (ii) secondly, to pay the Scheme Costs; and
- (iii) thirdly, to pay dividend in respect of the Scheme Creditors with Admitted Claims.

The proportion of the dividend payable will be of an amount to be determined and distributed from time to time by the Scheme Administrators under the Creditors' Scheme, having regard to:

- (i) the amount of Scheme Assets available;
- (ii) the amount of Admitted Claims; and
- (iii) any sum to be retained out of the Scheme Assets for the Scheme Costs as may be determined by the Scheme Administrators under the Creditors' Scheme.

According to the terms of the Creditors' Scheme, the Scheme Administrators will be empowered to declare interim dividend(s) from time to time. Unadmitted Claims will not be entitled to any dividend.

4.5 Conditions of the Creditors' Scheme

Completion of the Creditors' Scheme is conditional upon:

- (a) the High Court sanctions the Creditors' Scheme and a copy of the order of the High Court sanctioning of the Creditors' Scheme is delivered to the Registrar of Companies in Hong Kong for registration;
- (b) the Capital Reorganisation having become effective;
- (c) the completion of the Subscriptions having taken place;
- (d) all consents and approvals required for the transfer of the Scheme Shares to the SchemeCo have been obtained; and
- (e) resolutions in relation to the issue of the Scheme Shares under the Specific Mandate having been duly passed by the Independent Shareholders in the general meeting, and the Board having been granted the Specific Mandate in accordance with the Listing Rules.

None of the conditions set out above can be waived. As at the Latest Practicable Date, save for condition (a) above, all the other conditions precedent to the Creditors' Scheme have not been fulfilled.

The Creditors' Scheme shall become effective on the date, being the latest of (a) the date of delivery of an office copy of the order of the High Court sanctioning the Creditors' Scheme to the Registrar of Companies in Hong Kong for registration; (b) the date of the completion of the transfer of the Cash Consideration to the SchemeCo; and (c) the date of the completion of the transfer of the Scheme Shares to the SchemeCo. Upon the Creditors' Scheme having become effective, the Company shall be able to utilize the proceeds from the Subscriptions as set out in the section headed "5.5 Proceeds from the Subscriptions" in this circular for the purpose of, among other things, settlement of Cash Consideration for the Creditors' Scheme.

Upon the Creditors' Scheme having become effective, all the debts and liabilities of the Company to the Creditors (save for those due to Mr. Lam that shall be settled through the arrangement under the Deed of Settlement, details of which are set out in the section headed "11. THE DEED OF SETTLEMENT AND THE EXECUTION OF THE DEED OF MUTUAL RELEASE" in this circular) will be discharged and released in full.

Ranking of the Scheme Shares

The Scheme Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the New Shares in issue on the date of allotment and issue of the Scheme Shares.

Application for Listing of the Scheme Shares

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Scheme Shares.

5. THE SUBSCRIPTIONS

5.1 The Share Subscription

On 26 January 2023, the Company and the Investor entered into the Share Subscription Agreement and pursuant to which, inter alia, the Investor has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 530,800,000 Subscription Shares at the Subscription Consideration of approximately HK\$94.06 million, which represents a subscription price per Subscription Share of HK\$0.1772.

The Investor is expected to settle the Subscription Consideration with its internal resources. As at the date of the Joint Announcement, the Investor has deposited the Escrowed Consideration in the amount of JPY3,520,000,000 (which is equivalent to approximately HK\$211.2 million as at the date of the Subscription Agreements based on an exchange rate of JPY 1 = HK\$0.060 and

approximately HK\$172.94 million as at the Latest Practicable Date based on exchange rate of JPY 1 = HK\$0.049), in a bank account which is currently being held in escrow for the purpose of settling the Subscription Consideration. The said deposit will be converted into Hong Kong dollars upon completion of the Share Subscription and the Investor shall be entitled to refund of any surplus or be liable to pay the shortfall amount to make up the Subscription Consideration as a result of the currency conversion.

Summary of the principal terms of the Share Subscription:

Subscriber	:	the Investor
Issuer	:	the Company
Subscription Consideration	:	HK\$94,057,760
Price per Subscription Share	:	HK\$0.1772
Number of Shares to be issued under the Share Subscription	:	530,800,000 Subscription Shares
The issued Share capital of the Company upon completion of the Capital Reorganisation and the Share Subscription	:	649,004,200 New Shares

Subscription Shares

After adjusting for the effects of the Capital Reorganisation, the 530,800,000 Subscription Shares will represent approximately 81.79% of the issued Share capital upon completions of the Capital Reorganisation and the Share Subscription (assuming that no Convertible Bonds have been converted into CB Conversion Shares and there will be no other changes in the issued share capital of the Company from the Latest Practicable Date and up to the Completion). The Subscription Shares will be issued by the Company under the Specific Mandate to be granted upon the approval of the Independent Shareholders at the EGM.

Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the New Shares in issue on the date of allotment and issue of the Subscription Shares.

Share Subscription Price

The price per Subscription Share of approximately HK\$0.1772 represents:

- (i) a discount of approximately 65.25% to the closing price of HK\$0.51 per New Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation which is equivalent to the closing price of the New Shares on the day prior to the suspension of trading of the Shares on 21 November 2024;
- (ii) a discount of approximately 78.39% to the closing price of HK\$0.820 per New Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iii) a discount of approximately 77.63% to the average closing price of HK\$0.792 per New Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iv) a discount of approximately 78.02% to the average closing price of HK\$0.806 per New Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (v) a discount of approximately [81.17]% to the average closing price of HK\$[0.941] per New Share as quoted on the Stock Exchange for the last thirty trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (vi) a premium of approximately HK\$9.033 per New Share over the audited consolidated net liabilities value attributable to Shareholders per Share as at 31 March 2025 of approximately HK\$9.210 per New Share and adjusted for the effect of the Capital Reorganisation; and
- (vii) a premium of approximately HK\$[9.588] per New Share over the unaudited consolidated net liabilities value attributable to Shareholders per Share as at 30 September 2025 of approximately HK\$[9.765] per New Share and adjusted for the effect of the Capital Reorganisation.

The Share Subscription Price was arrived at after arm's length negotiations between the Company and the Investor with reference to (i) the net liabilities position and the net loss of the Group; (ii) that the Group has received winding-up petitions and statutory demands and is in desperate need of fundraising and debt restructuring; (iii) the prevailing market conditions; (iv) that the Group has already exhausted and attempted other means of fundraising and that the

Subscriptions represent the only viable option available to the Group; (v) the amount of funds required to be raised by the Company for the Debt Restructuring; (vi) the acceptability of the Creditors towards the terms of the Creditors' Scheme, such as, the value of the Scheme Assets which is affected by the Share Subscription Price and the issue price of the Scheme Shares; and (vii) that an issue price with large discount is not uncommon among companies involving creditors' scheme and/or debt restructuring. Taking into account the above and the reasons for the Proposed Restructuring as discussed in the section below in this circular, the Directors consider that the Share Subscription Price is fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Please also refer to the sub-section headed "6.3 Other factors that further deteriorated the Group's financial condition" for more information on the Group's recent financial condition and liquidity challenges.

5.2 Conditions of the Share Subscription

Completion of the Share Subscription is conditional upon:

- (a) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions reasonable acceptable to both the Company and the Investor) the listing of, and permission to deal in, the Subscription Shares, and such approval not having been revoked before completion of the Share Subscription;
- (b) the Whitewash Waiver having been granted by the SFC and the satisfaction of conditions attached thereto, if any;
- (c) the Special Deals having been approved by the SFC and the satisfaction of any conditions attached thereto, if any;
- (d) resolutions in relation to the Share Subscription Agreement and the transactions contemplated thereunder (including the Share Subscription, the Whitewash Waiver and the Special Deals) having been duly passed by the Independent Shareholders in general meeting, and the Board having been granted the Specific Mandate in accordance with the Listing Rules;
- (e) resolutions in relation to Share Subscription Agreement and the transactions contemplated thereunder (including the Share Subscription, the Whitewash Waiver, the Specific Mandate and the Special Deals) having been duly passed by the Board;
- (f) the Capital Reorganisation having become effective;

- (g) the Creditors' Scheme having been sanctioned by the High Court; and
- (h) the completion of the CB Subscription taking place no later than the completion of the Share Subscription.

None of the conditions set out above can be waived. As at the Latest Practicable Date, save for condition e and g above, all the other conditions precedent to the Share Subscription Agreement have not been fulfilled. In the event that the conditions precedent are not satisfied by the Long Stop Date, the Share Subscription Agreement shall be terminated forthwith.

For the avoidance of doubt, completion of the Share Subscription is subject to the Capital Reorganisation having become effective. The Share Subscription Agreement and the CB Subscription Agreement are inter-conditional and the completions of the Share Subscription and the CB Subscription shall take place simultaneously.

Application for Listing of the Subscription Shares

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

5.3 The CB Subscription

On 26 January 2023, the Company and the Investor entered into the CB Subscription Agreement and pursuant to which, inter alia, the Investor has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bonds in the principal amount of approximately HK\$160.94 million.

The Convertible Bonds shall be non-interest bearing and be freely transferable.

CB Conversion Shares

Based on the initial CB Conversion Price of HK\$0.1772 per CB Conversion Share, a total of 908,251,918 CB Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full, representing approximately 56.19% of sum of the enlarged Share capital upon completion of the Capital Reorganisation and the issue of the Subscription Shares, the Scheme Shares and the CB Conversion Shares upon full conversion of the Convertible Bonds.

The CB Conversion Shares, when allotted and issued, will be issued by the Company under the Specific Mandate to be granted upon the approval of the Independent Shareholders at the EGM.

Restrictions on conversion of the Convertible Bonds

The Bondholder(s) (which will be the Investor immediately upon completion of the CB Subscription, or any person(s) subject to the transfer of the Convertible Bonds, if any) shall not have the right to convert the whole or part of the outstanding principal amount of the Convertible Bonds into ordinary New Shares if the issue of CB Conversion Shares following the exercise by the Bondholder(s) of the conversion rights attached to the Convertible Bonds would result in (i) the Company not meeting the requirement under the Listing Rules that not less than 25% (or such other percentage as may from time to time be specified in the Listing Rules) of the Shares shall be held by the public immediately after the conversion; or (ii) a mandatory general offer obligation will be triggered under the Takeovers Code.

Ranking of the CB Conversion Shares

The CB Conversion Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the New Shares in issue on the date of allotment and issue of the CB Conversion Shares.

CB Conversion Price

The CB Conversion Price of HK\$0.1772 per Conversion Share, being the same as the Share Subscription Price.

The CB Conversion Price shall from time to time be subject to adjustment upon occurrence of consolidation or sub-division of Shares (the “**Adjustment Event**”) in accordance with the provisions of the Convertible Bonds.

If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation or subdivision, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such alteration by the fraction:

$$\frac{A}{B}$$

where:

“A” is the nominal amount of one Share immediately after alteration; and

“B” is the nominal amount of one Share immediately before alteration.

Following the Adjustment Event and before the effect of such event has been reflected in the trading price of the Shares on the Stock Exchange, the CB Conversion Price shall be adjusted so that, after such adjustment and on conversion of the Convertible Bonds, the Bondholders shall be entitled to receive the same percentage of the issued share capital of the Company carrying the same proportion of votes exercisable at a general meeting of Shareholders and the same entitlement to participate in distributions of the Company, in each case as nearly as practicable, as would have been the case had no Adjustment Event occurred (and making such reduction or increase as is necessary to the premium arising on the issue and allotment of the New Shares on conversion of the Convertible Bonds). The relevant adjustment shall be determined by the auditor. On any adjustment, the resultant conversion price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest whole Hong Kong cent.

CB Maturity Date

The Convertible Bonds should mature on the date falling on the 3rd anniversary of the date of issue of the Convertible Bonds; and if that is not a Business Day, the Business Day immediately after such date.

Unless previously converted, the Convertible Bonds will be redeemed by the Company on the Maturity Date at its principal amount outstanding.

5.4 Conditions of the CB Subscription

Completion of the CB Subscription is conditional upon:

- (a) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions reasonable acceptable to both the Company and the Investor) the listing of, and permission to deal in, the CB Conversion Shares, and such approval not having been revoked before the completion of the CB Subscription (including the issuance of the Convertible Bonds);
- (b) the Special Deals having been approved by the SFC and the satisfaction of any conditions attached thereto, if any;
- (c) resolutions in relation to the CB Subscription Agreement and the transactions contemplated thereunder (including the CB Subscription and the Special Deals) having been duly passed by the Independent Shareholders in general meeting, and the Company having been granted the Specific Mandate in accordance with the Listing Rules;
- (d) resolutions in relation to the CB Subscription Agreement and the transactions contemplated thereunder (including the CB Subscription and the Special Deals) having been duly passed by the Board;
- (e) the Capital Reorganisation having become effective;
- (f) the Creditors' Scheme having been sanctioned by the High Court; and
- (g) the completion of the Share Subscription taking place no later than the completion of the CB Subscription.

None of the conditions set out above can be waived. As at the Latest Practicable Date, save for condition d and f above, all the other conditions precedent to the CB Subscription Agreement have not been fulfilled. In the event that the conditions precedent are not satisfied by the Long Stop Date, the CB Subscription Agreement shall be terminated forthwith.

For the avoidance of doubt, completion of the CB Subscription is subject to the Capital Reorganisation having become effective. The Share Subscription Agreement and the CB Subscription Agreement are inter-conditional and the completions of the Share Subscription and the CB Subscription shall take place simultaneously.

Application of Listing of the CB Conversion Shares

No application will be made for a listing of the Convertible Bonds. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the CB Conversion Shares.

5.5 Proceeds from the Subscription

The gross proceeds from the Share Subscription and the CB Subscription are estimated to be approximately HK\$94.06 million and approximately HK\$160.94 million respectively.

The aggregate gross proceeds from the Subscriptions will be HK\$255 million, being a sum equal to the consideration of the Subscriptions. The aggregate net proceeds from the Subscriptions (after deducting related expenses) are estimated to be approximately HK\$220 million and will be utilised in the following manner:

- (i) approximately HK\$160 million will be distributed to the SchemeCo as Cash Consideration for the benefits of the Scheme Creditors;
- (ii) not more than HK\$25 million will be utilised to settle the professional fees and expenses in connection with the Proposed Restructuring; and
- (iii) the residual of approximately HK\$35 million will be utilised as working capital of the Company.

The Company is of the view that (i) the Subscriptions will be able to provide additional working capital for the Group and facilitate the Creditors' Scheme; and (ii) to discharge and release the debts and liabilities of the Company to the Creditors, which would constitute approximately 96.33% of the total indebtedness of the Company as at 31 January 2026 upon the effective of the Creditors' Scheme, and improve its financial position upon Completion. In view of the above, the Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) consider that the Term Sheet and the Subscription Agreements were entered into upon normal commercial terms following arm's length negotiations between the Company and the Investor and that the terms of the Term Sheet and the Subscription Agreements (including the Share Subscription Price and the CB Conversion Price) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The net subscription price, after deduction of relevant expenses, is estimated to be approximately HK\$0.173 per Subscription Share.

6. REASONS FOR AND THE PURPOSES OF THE PROPOSED RESTRUCTURING

Prior to the entering into of the Term Sheet, the Group's operations, performance and development plans across its theme park and animation derivative products businesses have been severely and persistently impacted by the global outbreak of COVID-19 in late 2019. The prolonged pandemic-related restrictions — including widespread lockdowns, border closures, travel bans, social distancing measures, and sharp declines in domestic and international visitor numbers — particularly during the peak years of 2020 to 2022, resulted in extended periods of park closures (affecting both self-operated parks in locations such as Tokyo, Qingdao, and Shanghai, as well as licensed parks such as in Guangzhou), significantly reduced footfall, cancellation or deferral of major events, seasonal attractions, offline anime showcases, exhibitions, and promotional activities, and a material contraction in revenue from ticket sales, merchandise, food & beverage, licensing, multimedia animation entertainment, and related animation derivative product trading. These unprecedented challenges, among other things, led to severe liquidity pressure, increased working capital requirements and significant constraints on the Group's capital expenditure, essential park upkeep, and planned expansion initiatives for its theme parks, as well as the sales and development of related animation derivative products.

The Group's depressed financial position and the erosion of confidence in its future prospect (as, and after, affected by the pandemic) among creditors, investors, and other stakeholders further resulted in lenders and potential investors to adopt a more cautious stance that exacerbated the difficulties in securing external financing on favorable terms.

Prior to entering into the Term Sheet, the Company had approached (i) two PRC investors around July 2022, who had initially proposed to subscribe for the Company's bonds to facilitate a restructuring proposal; however, such proposal did not materialise as, among other factors, a petition filed by Maxx Capital adversely affected the Company's financial position and prospects; and (ii) commercial banks for loan financing to alleviate the Group's liquidity challenges, but was given to understand that it did not meet their requirements — such position possibly having been impacted by the petition filed by Maxx Capital, which resulted in the freezing of the Company's bank accounts.

The diminishing options for market-based or arms-length external funding, combined with the reduced confidence in the Group's prospects resulted in prolonged recovery challenges in the post-pandemic environment. The Board is of the view that implementing the Proposed Restructuring and the transactions contemplated thereunder represented an essential solution to restore a more sustainable capital structure for the Group. The Proposed Restructuring, once implemented, is expected to alleviate immediate repayment pressures, discharge or compromise claims in an orderly manner, enhance creditor and stakeholder confidence through a clearer path to

recovery, and ultimately improve the Group's ability to access financing on more reasonable terms as its financial position stabilizes and business performance gradually recovers and is therefore considered by the Board to be in the interests of the Company and the Shareholders as a whole.

6.1 How the Group's Businesses were affected at the material time

1. The Theme-Park Business

The Group's theme parks expansion plan prior to the Covid-19

Following the acquisition of Sega Live Creation Co. Ltd. in 2017, the Group has been focusing on expanding the number of theme parks (i.e. Joypolis and Wonder Forest in the PRC). During 2017 to 2018, the Group appointed a group of comprehensive park construction contractors to perform the Construction Services for the Group's Joypolis and Wonder Forest parks, the details of the services by sequences are set out as follows,

- Step 1 site locations planning and market positioning;
- Step 2 sites' layout and floor plan planning and concept designing;
- Step 3 basic interior designs and renovating;
- Step 4 entertainment facilities/equipment selection, production and installation;
- Step 5 entertainment facilities/equipment examination and modification;
- Step 6 sites' safety and fire protection designing and reviewing;
- Step 7 ensure the theme parks to pass the relevant safety acceptance and obtain the operation qualifications from relevant authorities;
- Step 8 relevant staffs' trainings; and
- Step 9 perform parks' opening determination inspection.

The expected construction time required to perform the Construction Services for each of the parks would be subject to the size of the park and in general, based on the Group's experience, building a sizeable theme park like Joypolis would usually take up to around three to five years to complete the Construction Services (i.e. setting up of Joypolis would require a longer time than setting up of Wonder Forest). It was expected that after the completions of these park construction

projects, the Group could occupy more market shares in the park industry in the PRC and/or Asia and result in satisfactory source of income to the Group (as further elaborated in sections below, such expansion goal was then disrupted by the unexpected outspreading of the Covid-19).

The effect of the Covid-19 on the Group’s theme park business

The Covid-19 affected the Group’s establishment and operation of indoor theme parks business in the following ways.

- (i) The Covid-19 and related precautionary and quarantine measures implemented by the governments had affected and/or restricted people flow.
- (ii) Less people, including local citizens and tourists, would go to the Group’s theme park and thus affected its income through the sales of admission tickets and the provision of entertainment facilities (which may include rewarding customers with animation products as incentives for them to participate and generate additional income for the Group).
- (iii) The Group has three self-operated theme parks located in Tokyo, Qingdao and Shanghai. Set out below are the period of suspension of the Group’s theme park due to the restriction policies related to Covid-19:

Location	2020	Suspension Period (Note 1)	
		2021	2022
Japan (Note 2)	2 March to 12 June	25 April to 11 May	Not applicable
Qingdao, PRC	25 January to 31 March, 20 April to 14 May	Not applicable	13 March to 31 March, 1 April to 23 April, 7 November to 16 November, 20–29 December
Shanghai, PRC	26 January to 8 May	January to May	4 March–15 August 10 October–21 December

Notes:

1. *Even when the Group's theme parks were still operating, due to the suspension of flights and quarantine measures, the number of overseas visitors had been greatly reduced as compared to that prior to the outbreak of the Covid-19. Accordingly, revenue and ticket sales of the Group's theme parks had been seriously affected.*
 2. *In Japan, in addition to the suspension of theme park during the period as stated in the above, the government had intermittently announced emergency notice to all local citizens to restrict their social activities and persuade them to stay at home from year 2020 to 2021.*
- (iv) Business collaborations with oversea partners to launch licensing theme parks in the Southeast Asia have also been suspended since 2020, pending the full recovery of the Covid-19.
- (v) Prior to the Covid-19, the Group had engage the Park Constructors to establish more theme parks and expand its theme park business. However, the quarantine measures under the Covid-19 in the PRC affected the construction progress of these theme parks as well as the financial capacity of these park constructors.
- (vi) In light of the stagnated construction progress, the Group has requested for the refund of the prepayments it paid to establish theme parks. The Park Constructors (as referred to in the sub-section below headed "Background information of the Park Constructors") attempted to cash out the purchased construction materials as partial repayment to the Group, but it was difficult for them to sell the said materials in the open market and return sufficient advance repayment to the Group due to the ongoing impact of the Covid-19 at the material time and the Group has not received any refund from these park constructors, which led to the Group's impairment in its other receivables in the aggregate amount of approximately HK\$298.13 million up to 31 March 2023 and further accelerated the deterioration of Group's financial position.

Background information of the Park Constructors

1. Arto Design

Arto Design is wholly-owned by Cai Shaohuan* (蔡少環), a PRC citizen. Arto Design is principally engaged in renovation engineering, games development and multimedia entertainment businesses.

The Company engaged Arto Design as one of its park constructors since July 2018 and had paid approximately HK\$43.20 million to Arto Design as prepayment for the construction projects to construct and establish 60 Wonder Forest kid amusement parks for the Group in the Central China region by March 2023. Pursuant to the relevant construction agreements, Arto Design was

responsible to conduct and complete the Construction Services for Wonder Forest. Arto Design, at the material time, had over five years of experience in providing theme parks' construction and renovation services and was familiar with the relevant construction related policies in the Central China region.

The Company and Arto Design agreed to construct the 60 Wonder Forests by six different phrases and each phrase should follow the steps similar to the table set out below. The initial plan and time-frame for the constructions of the first phrase of the 60 Wonder Forest parks agreed by Arto Design was set out as follows,

Events	Expected Schedule (by phrase)
Sites selection	Jul 2018 to Mar 2019
Sites positioning	Apr to Sep 2019
Site layout conceptual planning	Oct 2019 to Feb 2020
Equipment selection	Mar to Jul 2020
Floor plan design	Apr to Aug 2020
Basic interior design	May to Sep 2020
Equipment production and scheduling	May to Oct 2020
Fire safety design and review	Jul to Sep 2020
Interior constructions	Jul to Dec 2020
Staff trainings	Jul to Dec 2020
Equipment installations	Aug to Nov 2020
Safety inspections	Oct to Dec 2020
Equipment testing and modifications	Oct to Dec 2020
Passing of fire safety	Oct to Dec 2020
Operation check and acceptance	Oct to Dec 2020
Parks commences operations	Oct to Dec 2020

Prior to the suspension of the construction, steps 1 and 2 of the Construction Services were completed for this construction project comprising of information such as (i) a report analysis; (ii) expected construction schedules and relevant costs; and (iii) functions for each park-area and corresponding electrical and mechanical engineering requirement etc. Around 20 Wonder Forests had proceeded to the process of designing, selecting and ordering of the relevant equipment (i.e. equipment selection) to be included in the Wonder Forests while the rest of the Wonder Forests' locations were yet to be confirmed and/or approved. The remaining construction works of this project did not complete and no operation was commenced for the reasons elaborated below in this section.

2. *Green Metro*

Green Metro is wholly-owned by Gao Cui* (高翠), a PRC citizen. Green Metro is principally engaged in renovation engineering. A loan of HK\$35 million was provided to the Company in April 2021 by Skalacrest (Hong Kong) Limited, which is a company beneficially owned by Gao Cui. The loan (together with the interests) was then assigned and transferred by Skalacrest (Hong Kong) Limited to Bloom Fort Limited, which is a company owned by Lee Pui Kin, on 30 September 2021. Subsequently, the loan was repaid by way of debt capitalization by the Company as disclosed in the Company's announcement dated 30 December 2021 which was completed and announced by the Company on 14 January 2022.

The Company engaged Green Metro as one of its park constructors since July 2018 and had paid approximately HK\$52.87 million to Green Metro as prepayment for the construction projects to govern and complete the construction and renovation of an indoor theme park (Joypolis) in Tianjin for the Group by March 2023. Pursuant to the relevant construction agreements, Green Metro was responsible to conduct and complete the Construction Services for Joypolis. Green Metro, at the material time, had over five years of experience in the renovation engineering business and given that it has previously participated as one of the main contractors in 2016 to be responsible for the construction arrangement of a theme park in Beijing, namely, SoReal VR Theme Park* (SoReal 煥真VR主題樂園), a theme park that adopted the elements of VR related technology and entertainment facilities and is in operation and considered to be resemblance to the ones the Company targeted to establish after having visited and evaluated the operation model, set ups, equipment, target customers and design of such theme park. Moreover, the Company was also given to understand that Green Metro, if required, could also introduce and/or arrange by ways such of outsourcing, certain parts of the constructions to the relevant parties that helped in its previous construction of the theme park in Beijing. Accordingly, taking into account of the experience and the benefits of having a network of construction related service providers, the Company considered Green Metro to be a suitable constructor based on its previous work and the information provided by the business partners of the Company.

The initial plan and time-frame for the establishing of Joypolis in Tianjin, the PRC agreed by Green Metro was set out as follows,

Events	Expected Schedule
Sites selection	Aug to Nov 2018
Sites positioning	Dec 2018 to Aug 2019
Site layout conceptual planning	Sep 2019 to Apr 2020
Equipment selection	May to Jan 2021

Events	Expected Schedule
Floor plan design	Feb to July 2021
Equipment production and scheduling	May 2021 to May 2022
Basic interior design	Jun 2021 to Jan 2022
Fire safety design and review	Dec 2021 to Jan 2022
Interior constructions	Jan to Aug 2022
Equipment installations	Sep 2022 to Mar 2023
Staff trainings	Jan to Jun 2023
Equipment testing and modifications	Feb to May 2023
Safety inspections	Mar to May 2023
Passing of fire safety	Mar to May 2023
Operation check and acceptance	May 2023
Joypolis commences operations	Jun 2023

Prior to the suspension of the construction, steps 1 and 2 of the Construction Services were completed for this construction project comprising of information such as (i) a report analysis; (ii) expected construction schedules and relevant costs; and (iii) functions for each park-area and corresponding electrical and mechanical engineering requirement etc. The Company had decided and confirmed Green Metro most of the equipment that would be included in this Joypolis. The remaining construction works of this project did not complete and no operation was commenced for the reasons elaborated below in this section.

3. *Jinfeng*

Jinfeng is wholly-owned by Li Chunping* (李春萍) and Peng Jianfeng* (彭劍峰), both are PRC citizens. Jinfeng is principally engaged in construction and decoration engineering.

The Company engaged Jinfeng as one of its park constructors since September 2018 and had paid approximately HK\$42.80 million to Jinfeng as prepayment for the construction projects to govern and complete the construction and renovation of an indoor theme park (Joypolis) in Nanshan, Shenzhen for the Group by September 2023. Pursuant to the relevant construction agreements, Jinfeng was responsible to conduct and complete the Construction Services for Joypolis. Jinfeng, at the material time, had over ten years of experience in the construction and decoration engineering business.

The initial plan and time-frame for the establishing of Joypolis in Shenzhen, the PRC agreed by Jinfeng was set out as follows,

Events	Expected Schedule
Sites selection	Oct 2018 to Feb 2019
Sites positioning and planning	Feb to Oct 2019
Equipment selection	Jul 2020 to Mar 2021
Floor plan design	Apr 2021 to Oct 2021
Equipment production and scheduling	Aug 2021 to Aug 2022
Basic interior design	Sep 2021 to Apr 2022
Fire safety design and review	Mar to Apr 2022
Interior constructions	Apr to Sep 2022
Equipment installations	Aug 2022 to May 2023
Staff trainings	Mar to Aug 2023
Equipment testings and modifications	May to Aug 2023
Safety inspections	Jun to Aug 2023
Passing of fire safety	Jun to Aug 2023
Operation check and acceptance	Aug 2023
Joypolis commences operations	Sep 2023

Prior to the suspension of the construction, steps 1 and 2 of the Construction Services were completed for this construction project comprising of information such as (i) a report analysis; (ii) expected construction schedules and relevant costs; and (iii) functions for each park-area and corresponding electrical and mechanical engineering requirement etc. The Company had decided and confirmed Jinfeng most of the equipment that would be included in this Joypolis. The remaining construction works of this project did not complete and no operation was commenced for the reasons elaborated below in this section.

4. *Meijiating*

Meijiating is wholly-owned by Li Huirong* (李輝蓉), a PRC citizen. Meijiating is principally engaged in research and development of renovation engineering technology, design of renovation engineering, domestic trade, import and export of goods and technologies.

The Company engaged Meijiating as one of its park constructors since July 2018 and had paid approximately HK\$47.55 million to Meijiating as prepayment for the construction projects to construct and establish 80 Wonder Forest amusement parks for the Group in the Southern China region by February 2023. Pursuant to the relevant construction agreements, Meijiating was responsible to conduct and complete the Construction Services for Wonder Forest. Meijiating, at the material time, had over ten years of experience in the design, research and development of renovation engineering business.

The Company and Meijiating agreed to construct the 80 Wonder Forests by eight different phrases and each phrase should follow the steps similar to the table set out below. The initial plan and time-frame for the constructions of the first phrase of the 80 Wonder Forest parks agreed by Meijiating was set out as follows,

Events	Expected Schedule (by phrase)
Sites selection	Jul 2018 to Mar 2019
Sites positioning	Apr to Sep 2019
Site layout conceptual planning	Oct 2019 to Feb 2020
Equipment selection	Mar to Jul 2020
Floor plan design	Apr to Aug 2020
Basic interior design	May to Sep 2020
Equipment production and scheduling	May to Oct 2020
Fire safety design and review	Jul to Sep 2020
Interior constructions	Jul to Dec 2020
Staff trainings	Jul to Dec 2020
Equipment installations	Aug to Nov 2020
Safety inspections	Oct to Dec 2020
Equipment testing and modifications	Oct to Dec 2020
Passing of fire safety	Oct to Dec 2020
Operation check and acceptance	Oct to Dec 2020
Parks commences operations	Oct to Dec 2020

Prior to the suspension of the construction, steps 1 and 2 of the Construction Services were completed for this construction project comprising of information such as (i) a report analysis; (ii) expected construction schedules and relevant costs; and (iii) functions for each park-area and corresponding electrical and mechanical engineering requirement etc. Around 30 Wonder Forests had proceeded to the process of designing, selecting and ordering of the relevant equipment (i.e. equipment selection) to be included in the Wonder Forests while the rest of the Wonder Forests' locations were yet to be confirmed and/or approved. The remaining construction works of this project did not complete and no operation was commenced for the reasons elaborated below in this section.

5. *Toyo*

Toyo is wholly-owned by Shum Sui On* (岑瑞安), a Hong Kong citizen. Toyo is principally engaged in decoration engineering and management.

The Company engaged Toyo as one of its park constructors since July 2018 and had paid approximately HK\$72.91 million to Toyo as prepayment for the construction projects to construct and establish 80 Wonder Forest amusement parks for the Group in the Northern China region by July 2023. Pursuant to the relevant construction agreements, Toyo was responsible to conduct and complete the Construction Services for Wonder Forest. Toyo had participated in the supervision and management of the Group's construction project in Longgang, Shenzhen in 2012 and the Directors were satisfied with the development of the said project and the performance and quality of work delivered by Toyo.

The Company and Toyo agreed to construct the 80 Wonder Forests by eight different phrases and each phrase should follow the steps similar to the table set out below. The initial plan and time-frame for the constructions of the first phrase of the 80 Wonder Forest parks agreed by Toyo was set out as follows,

Events	Expected Schedule (by phrase)
Sites selection	Jul 2018 to Mar 2019
Sites positioning	Apr to Sep 2019
Site layout conceptual planning	Oct 2019 to Feb 2020
Equipment selection	Mar to Jul 2020
Floor plan design	Apr to Aug 2020
Basic interior design	May to Sep 2020
Equipment production and scheduling	May to Oct 2020
Fire safety design and review	Jul to Sep 2020
Interior constructions	Jul to Dec 2020
Staff trainings	Jul to Dec 2020
Equipment installations	Aug to Nov 2020
Safety inspections	Oct to Dec 2020
Equipment testing and modifications	Oct to Dec 2020
Passing of fire safety	Oct to Dec 2020
Operation check and acceptance	Oct to Dec 2020
Parks commences operations	Oct to Dec 2020

Prior to the suspension of the construction, steps 1 and 2 of the Construction Services were completed for this construction project comprising of information such as (i) a report analysis; (ii) expected construction schedules and relevant costs; and (iii) functions for each park-area and corresponding electrical and mechanical engineering requirement etc. Around 20 Wonder Forests had proceeded to the process of designing, selecting and ordering of the relevant equipment (i.e. equipment selection) to be included in the Wonder Forests while around 10 Wonder Forests had

completed the layout of the conceptual planning and the rest of the Wonder Forests' locations were yet to be confirmed and/or approved. The remaining construction works of this project did not complete and no operation was commenced for the reasons elaborated below in this section.

6. *Wealth Gather*

Wealth Gather is wholly-owned by Zeng Huaqiao* (曾華橋), a PRC citizen. Wealth Gather is principally engaged in renovation engineering, theme parks equipment manufacturing and consultancy for theme park business.

The Company engaged Wealth Gather as one of its park constructors since August 2018 and had paid approximately HK\$55.46 million to Wealth Gather as prepayment for the construction projects to govern and complete the construction and renovation of an indoor theme park (Joypolis) in Dongguan for the Group by March 2023. Pursuant to the relevant construction agreements, Wealth Gather was responsible to conduct and complete the Construction Services for Joypolis. Wealth Gather, since 2012, had cooperated construction and decoration with the Group and had participated in the supervision and management of the Group's construction projects. Based on previous satisfactory cooperations experiences, the Group was satisfied with Wealth Gather's knowledge and experience in operating large-scale theme parks and has built a trustworthy business relationship with it. Wealth Gather, at the material time, had over ten years of experience in theme park operations.

The initial plan and time-frame for the establishing of Joypolis in Dongguan, the PRC agreed by Wealth Gather was set out as follows,

Events	Expected Schedule
Sites selection	Aug to Nov 2018
Sites positioning	Dec 2018 to Jul 2019
Site layout conceptual planning	Aug 2019 to Mar 2021
Equipment selection	Apr to Nov 2020
Floor plan design	Dec 2020 to Apr 2021
Equipment production and scheduling	May 2021 to May 2022
Basic interior design	Jun 2021 to Jan 2022
Fire safety design and review	Nov 2021 to Jan 2022
Interior constructions	Jan to Jul 2022
Equipment installations	Jul 2022 to Jan 2023
Staff trainings	Jan to May 2023
Equipment testings and modifications	Mar to May 2023

Events	Expected Schedule
Safety inspections	Mar to May 2023
Passing of fire safety	May 2023
Operation check and acceptance	May 2023
Joypolis commences operations	May 2023

Prior to the suspension of the construction, steps 1 and 2 of the Construction Services were completed for this construction project comprising of information such as (i) a report analysis; (ii) expected construction schedules and relevant costs; and (iii) functions for each park-area and corresponding electrical and mechanical engineering requirement etc. The remaining construction works of this project did not complete and no operation was commenced for the reasons elaborated below in this section.

Construction Services for the Joypolis and Wonder Forests projects (as mentioned above) did not progress as planned after the Group was pushed to slow down its business expansion amid pressured financial constraints and increased difficulty encountered by the Group and the Park Constructors, with whom the Group had understanding that, aside from the Construction Services, they would leverage their established networks in the PRC to help identify interested investors and cooperation partners for the Group in establishing Joypolis and multiple Wonder Forests (as the case may be) in their designated regions in the PRC. Challenges arose from unexpected policy changes in the PRC property market in the introduction of the “Three Red Lines” in mid-2020, which was designed to curb excessive debt and leverage in the real estate development sector. This policy substantially weakened overall investment demand in the sector and reduced the number of investors previously interested in cooperating with the Group on theme park establishment, consistent with the Group’s strategy of partnering for development its theme park business. Thereafter, the outbreak of the Covid-19 further dampened investor sentiment, causing more parties who had previously expressed interests to the Group to withdraw from potential cooperations. As a result, despite multiple rounds of discussions between the Group and the Park Constructors, considerable time was required to adjust site selections, revise planning parameters and identify or finalizing terms with potential investors. These prolonged adjustments and the Group subsequent weakening in financial position have materially extended the overall project timelines, leaving the Construction Services incomplete and preventing the Group from commencing operations of the affected projects to date.

Each of the Park Constructors and their respective ultimate beneficial owners mentioned in this section is an Independent Third Party.

Prepayments made by the Group for the constructions of theme parks

It is an industry norm to devote a sizeable sum of prepayment for contractors and/or constructors for theme park constructions to be used for the initial expenses arisen from performing the construction related services. Accordingly, sizeable prepayments were required to be made by the Group according to market practices to each of its contractors and/or constructors to commence the constructions of theme parks, to facilitate the construction progress to be completed on schedule and avoid default and/or construction related risks. These prepayments were determined based on the costs that were required for preparing the initial construction works (i.e. the designing, planning and the selection and production of the facilities/entertainment expected to be included in the relevant parks under the Construction Services) and the procurement of building materials and would usually represent around 30% but not more than 50% of the preliminary estimated total construction costs agreed by the Group with references to the proposed size and location of the park. When the preliminary construction works were completed and/or prepayment were fully-utilised, the Group would then conduct further assessment on the status to determine the remaining construction costs required to complete the construction project. Throughout 2020 to 2023, the quarantine policies related to the Covid-19 had continuously among other things, limited the number of construction workers available in the sites and interfered the transportation and import of overseas construction equipment and materials. During this period, the constructions of the Group's theme parks were in a state of suspension and the construction progress and schedules had been repeatedly postponed. The Group was given to understand that the constructions of the Group's parks were affected and because the prepayments made by the Group for development of theme parks were used on purchasing construction materials, such materials after additional works were applied, could not be easily disposed in the public market, the constructors could not return the prepayments to the Group and also could not complete the Group's construction projects.

The Group has obtained legal advices and issued demand letters to each of the Park Constructors on this regard requesting for the recovery of the prepayments made by the Group. The Park Constructors had previously agreed to attempt to re-sell the purchased construction materials in the open market for cash, together with any unutilized prepayments, and return such sums to the Group. However, these Park Constructors were faced with practical difficulty of disposing of the purchased construction materials on the open market due to their specific design for theme parks and the weak market environment and could not return the prepaid sum to the Company. The Accounts Receivable Committee was set up in December 2022 to follow up and take appropriate recovery actions to recover the payments from the constructors and make regular feedback reports to the Group. After reviewing the feedback reports from the Accounts Receivable Committee and considering the financial positions of these park constructors at the time and the general market conditions in the PRC, the Directors took the view that it would not be in the Company's interest to commence further legal actions against its park constructors at the moment

to recover the relevant prepayments given that (i) the market values of these constructors at the material time were adversely affected; and (ii) the commencement of legal action against these constructors might force them to go into liquidation which would further reduce the chance of recovering the Group's prepayments.

The Group's impairment losses in relation to the prepayments for the Constructions Services

The incomplete theme park constructions were not resumed while the respective prepayments were not refunded, over an extended period of time, and as a result, as at the financial year ended 31 March 2023, the Group recognized a total cumulative impairment loss in prepayments in the amount of approximately HK\$298.13 million. Set out below a summary table of the details of the prepayment made by the Company to the Park Constructors and the corresponding impairment losses.

Table: Prepayments in relation to the Parks Constructions

No.	Park Constructors	Initial Construction Agreement Date	Expected completion date	Prepayments made by the Company	Amounts recovered/ utilised up to 31 March	Gross prepayments balances		Amount of impairment recognised in respect of the prepayments during the years ended	Cumulative impairment recognised as at 31 March	Net balances (after impairment) as at 31 March	Amounts recovered/utilised up to the Latest Practicable Date and the latest status
						(before impairment) as at 31 March	2022 (HK\$ million)				
1	Arto Design	6/7/2018	17/3/2023	43.20 (HK\$ million)	2.34	40.86	16.05	24.81	40.86	—	Arto Design has agreed to build 60 Wonder Forests for the Group and is currently providing Construction Services to Wonder Forest in Shanghai. The relevant construction expenses will be deducted from the balance of the prepayments that was previously made by the Company.
											Arto Design also completed the provision of Construction Services of the Joypolis in Shanghai to the Group and set-off around RMB1.99 million from its outstanding payable to the Group.
											Up to the Latest Practicable Date, approximately HK\$2.34 million and RMB3.85 million were recovered from this Park Constructor.

No.	Park Constructors	Initial Construction Agreement Date	Expected completion date	Prepayments made by the Company (HK\$ million)	Amounts recovered/ utilised up to 31 March 2022 (HK\$ million)	Gross prepayments balances		Amount of impairment recognised in respect of prepayments during the years ended 31 March 2022 (HK\$ million)	31 March 2023 (HK\$ million)	Cumulative impairment recognised as at 31 March 2023 (HK\$ million)	Net balances (after impairment) as at 31 March 2023 (HK\$ million)	Amounts recovered/utilised up to the Latest Practicable Date and the latest status
						before impairment) as at 31 March 2022 (HK\$ million)	after impairment) as at 31 March 2023 (HK\$ million)					
2	Green Metro	12/7/2018	29/3/2023	52.87	2.54	19.78	30.55	50.33	—	Green Metro has agreed to resume the provision of Construction Services for the Group. It has completed the provision of Construction Services for the Joypolis in Shanghai. The relevant construction expenses have been deducted from the balance of the prepayments that was previously made by the Company.		
3	Jinfeng	30/9/2018	30/9/2023	42.80	0.75	16.52	25.53	42.05	—	Up to the Latest Practicable Date, approximately HK\$2.54 million and RMB2.12 million were recovered from this Park Constructor.		
										Jinfeng has agreed to be one of the two main Park Constructors for the construction of Joypolis in Kai Tak. The relevant Construction Services were completed and the expenses have been deducted from the balance of the prepayments that was previously made by the Company.		
										Up to the Latest Practicable Date, approximately HK\$3.64 million was recovered from this Park Constructor.		

No.	Park Constructors	Initial Construction Agreement Date	Expected completion date	Prepayments made by the Company (HK\$ million)	Amounts recovered/ utilised up to 31 March 2022 (HK\$ million)	Gross prepayments balances		Amount of impairment recognised in respect of the prepayments during the years ended 31 March 2022 (HK\$ million)	Cumulative impairment recognised as at 31 March 2023 (HK\$ million)	Net balances (after impairment) as at 31 March 2023 (HK\$ million)	Amounts recovered/ utilised up to the Latest Practicable Date and the latest status
						(before impairment) as at 31 March 2022 (HK\$ million)	(after impairment) as at 31 March 2023 (HK\$ million)				
4	Meijiating	20/7/2018	28/2/2023	47.55	2.49	45.06	17.70	27.36	45.06	—	Meijiating has agreed to build 80 Wonder Forests for the Group and is currently providing Construction Services to Wonder Forest in Guangxi. The relevant construction expenses will be deducted from the balance of the prepayments that was previously made by the Company.
											Up to the Latest Practicable Date, approximately HK\$2.49 million was recovered from this Park Constructor and expected to recover around RMB11.6 million for the Construction Services of Wonder Forest in Liuzhou and Guangxi when such services are delivered around mid-2027.

No.	Park Constructors	Initial Construction Agreement Date	Expected completion date	Prepayments made by the Company (HK\$ million)	Amounts recovered/ utilised up to 31 March 2022 (HK\$ million)	Amount of impairment recognised in respect of the prepayments during the years ended 31 March 2022 (HK\$ million)	Amount of impairment recognised during the years ended 31 March 2023 (HK\$ million)	Cumulative impairment recognised as at 31 March 2023 (HK\$ million)	Net balances (after impairment) as at 31 March 2023 (HK\$ million)	Amounts recovered/ utilised up to the Latest Practicable Date and the latest status
5	Toyo	3/7/2018	3/7/2023	72.91	5.91	26.32	40.68	67.00	—	Toyo has agreed to be one of the two main Park Constructors for the construction of Joypolis in Kai Tak. The relevant Construction Services were completed and the expenses has been deducted from the balance of the prepayments that was previously made by the Company.
										Up to the Latest Practicable Date, approximately HK\$8.93 million was recovered from this Park Constructor.

No.	Park Constructors	Initial Construction Agreement Date	Expected completion date	Prepayments made by the Company (HK\$ million)	Amounts recovered/ utilised up to 31 March 2022 (HK\$ million)	Gross prepayments balances		Amount of impairment recognised in respect of the prepayments during the years ended 31 March 2022 (HK\$ million)	Cumulative impairment recognised as at 31 March 2023 (HK\$ million)	Net balances (after impairment) as at 31 March 2023 (HK\$ million)	Amounts recovered/utilised up to the Latest Practicable Date and the latest status
						(before impairment) as at 31 March 2022 (HK\$ million)	(after impairment) as at 31 March 2023 (HK\$ million)				
6	Wealth Gather	15/8/2018	8/3/2023	55.46	2.63	52.83	20.76	32.07	52.83	—	Wealth Gather has agreed to and commenced the provision of Construction Services to Joypolis in Xinhui, Guangdong. The relevant construction expenses will be deducted from the balance of the prepayments that was previously made by the Company.
											Up to the Latest Practicable Date, approximately HK\$2.63 million was recovered from this Park Constructor (in terms of recovering the prepayment for Construction Services) and more will be recovered, which will be determined in later construction stages, upon delivery of Construction Services of Joypolis in Xinhui currently scheduled to be completed by mid-2028.

The latest status of the Group's construction projects

Following the recovery of the entertainment and/or theme park industry in the PRC, the Group is gradually resuming its theme parks development in the PRC. To accelerate the recovery of the theme park business of the Group and to make uses of the prepayments that were previously paid, the Group and each of Arto Design, Green Metro, Jinfeng, Meijiating, Toyo and Wealth Gather have entered into respective agreements to resume the Construction Services for the Group after considering that (i) their operations have been recovering; (ii) they have demonstrated to the Group their willingness to continue to work and communicate with the Group on reaching acceptable solutions; and (iii) no additional costs are expected to be incurred by the Group in resuming the Construction Services. The Company also had regular discussions with these park contractors to understand their financial situations and had conducted stock takes and risk assessments, involving investigating their project orders and conducting interviews with their upstream suppliers and downstream customers, to ascertain whether these contractors' financial positions and project management capabilities still meet the Company's requirement before agreeing to the resumption of the projects.

Details of the status of the arrangements for the resumed Construction Services are as follows:

Park constructors	Latest status of the settlement
1. Arto Design	<p>On 17 November 2023, an agreement was entered whereby Arto Design shall resume the provision of Construction Services to the Group to complete the constructions of 60 Wonder Forests in total (and passing the relevant inspections) on or before the 2nd quarter of 2029. All the construction fees of the parks shall first be set off from the Group's previous prepayments made to Arto Design.</p> <p>Arto Design delivered construction services of a Wonder Forest in Shanghai to the Group in September 2024 and set-off around RMB1.86 million from its outstanding payable to the Group. Arto Design also completed the provision of Construction Services of the Joypolis in Shanghai to the Group and set-off around RMB1.99 million from its outstanding payable to the Group.</p>

**Park
constructors Latest status of the settlement**

2. Green Metro On 13 November 2023, an agreement was entered whereby Green Metro shall resume the provision of Construction Services to the Joypolis in Shanghai including but not limited to, decorating and upgrading related services to the theme park, and such services shall be completed (and passing the relevant inspections) on or before the 2nd quarter of 2028. The construction fees of this park shall first be set off from the Group's previous prepayments made to Green Metro.

Subsequently, the Group entered into an agreement in September 2024 to dispose of Joypolis in Shanghai for a consideration of RMB17 million to an independent buyer. Following the disposal, the new owner of the theme park required and engaged the Group, and the Group then engaged Green Metro and Arto Design, to complete the provision of the outstanding decoration and upgrading related construction services for the park.

Green Metro completed Construction Services of the Joypolis in Shanghai to the Group in September 2024 and set-off around RMB2.12 million from its outstanding payable to the Group.

3. Jinfeng and Toyo On 9 April 2024 and 18 April 2024, agreements were entered into with Toyo and Jinfeng respectively whereby the Group engaged them as Park Constructors to resume the Construction Services to complete the construction of the sports-themed Joypolis in Kai Tak, Hong Kong . The construction fees of this park has been set off from each of the Group's previous prepayments made to Jinfeng and Toyo.

Toyo and Jinfeng completed Construction Services of the Joypolis in Kai Tak to the Group and set-off around HK\$3.02 million and HK\$2.89 million respectively from its outstanding payables to the Group.

**Park
constructors Latest status of the settlement**

4. Meijiating On 3 November 2023, an agreement was entered whereby Meijiating shall resume the provision of Construction Services to the Group to complete the constructions of 80 Wonder Forests in total (and passing the relevant inspections) on or before the 2nd quarter of 2029. The construction fees of the parks shall first be set off from the Group's previous prepayments made to Meijiating.

Meijiating is delivering Construction Services of Wonder Forests in Liuzhou, the PRC. The first development stage of this project for a fee of HK\$5.80 million will be used to set-off from its outstanding payables to the Group, which is expected to complete before 4th quarter of 2026. Moreover, it is also agreed that Meijiating shall complete constructions of more Wonder Forests for the Group by 2nd quarter of 2029. Having obtained approvals on market position and proposal for the sites' layout and overall concept designing and sketches from the Group in April 2024, Meijiating began its construction works in Wonder Forest in Guangxi in May 2024. Currently, Meijiating is in discussion with the Group, modifying and finalizing the details of installing the equipment and amenities that were ordered for the park according to the Company's requirement. The Construction Services of Wonder Forest in Guangxi is scheduled to be completed by mid-2027 and upon delivered, a service fee of HK\$5.80 million will be set-off from its outstanding payable to the Group.

5. Wealth Gather On 30 October 2023, an agreement was entered whereby Wealth Gather shall resume the provision of Construction Services to the Joypolis in XinHui and such services shall be completed (and passing the relevant inspections) on or before the 2nd quarter of 2028. The construction fees of this park will be determined in the later construction stage and shall first be set off from the Group's previous prepayments made to Wealth Gather.

**Park
constructors Latest status of the settlement**

As at the Latest Practicable Date, the provision of the Construction Services has been commenced. Details of the selection of equipment and amenities were finalized and approved by the Group. Wealth Gather has been working on the foundation work that used for establishing the concrete structure that is required for the installation of an indoor roller coaster and the main beams and columns to reinforce the concrete structure were completed.

In addition to the above, the Group is currently in advanced discussions with an investor regarding the establishment of an AI-themed park with a sizable investment that require Construction Services. Although the terms and details of the project have not yet been finalized, the Group intends to sub-contract various components of the park to the Park Constructors, except for Wealth Gather, which is performing Construction Services to the Group's Joypolis project in Xinhui. The Group will continue to negotiate with these Park Constructors on the solutions and time to resume and complete their Construction Services to the Group and/or transferred such services on to other theme park projects of the Group to make use of the unused prepayments effectively into the development of the Group.

2. The Group's PPSP Services under the theme park business

As part of the Group's theme park business, the Group had entered into contracts with two PRC real estate developers, BVL and MEL in 2020 to perform PPSP Services for two real estate development projects in Beijing and Zhuhai. The Group's role in these contracts is mainly to perform the overall planning and designing of the projects and advising and facilitating the construction of the projects.

The Group would, among other matters, authorize IP-rights and prepare a feasibility report for each of the development projects under the PPSP Services comprising, (i) analysis for the project's background, location status and the relevant tourism market information; (ii) theme and concept planning, layout planning, designing planning and system and project planning; and (iii) project sketches, operation advices and estimations for the expected timetable and costs required, to outline the projects development details and expectations for the project developers and/or investors and facilitate the development of the relevant projects.

Background information of the Group's PPSP Services projects

BVL, engaged in commercial and cultural entertainment real estate development for more than 8 years when it entered contract with the Company in respect of the PPSP Services, comprise of a national-level cultural industry network and is responsible for developing cultural projects in Beijing. It was intended to develop a site located in the south of Beijing with an area of 59,300 square meters. The BVL's project is intended to promote the integration of amusement, cultural and creative AR/VR technologies with the tourism in Beijing. The project wished to combine the concepts of cultural animation and e-Sports technologies and to establish one of the most influential cultural, technological and innovative exhibition and exchange center in the world. Upon completion, the project would have incorporated the Group's theme parks (i.e. Joypolis and/or Wonder Forest) and the participations from other reputation strategic partners, which would include some of the e-commerce industry leaders in the PRC. The Group's responsibilities were (i) to provide PPSP Services that include the preparation of a feasibility report for the subject project that, among others, cooperating in obtaining relevant governmental approval documents and construction certificates, assessing project investment scale, planning and development, profit forecast, funding arrangements and jobs and roles allocation; (ii) to authorize the Group's brand to be used; and (iii) provide conceptual design and business plan services. Through this project, the Group was expected to expand its business network and operations to generate additional income in view of the Group's short and long term development.

The ultimate beneficial owner of BVL is Huang Rong* (黃蓉) and he is an Independent Third Party.

MEL, engaged in commercial real estate development for more than 6 years when it entered contract with the Company in respect of the PPSP Services, was responsible for development urban renewal projects in Zhuhai that needs to be led by large real estate developer approved by the local government with the intention to influence the economic and social activities of the province. As resources and capitals were devoted into the overall development of Zhuhai city, the prospect of the MEL's project was expected to be attractive to the Group benefiting from the anticipated growth in the Greater Bay Area. This project proposed to renew and transform five older districts, streets, villages within Zhuhai and Macau with visions to established a leading, attractive and technological sustainable city. Upon completion, the project would have incorporated the Group's theme parks (i.e. Joypolis and/or Wonder Forest) and establish innovation research center that targets to attract different software, IPs and applications developers in the PRC. The Group's responsibilities were to provide PPSP Services that include the preparation of a feasibility report for the subject project. Through this project, the Group was expected to expand its business network, operations and generate additional income in view of the Group's short and long term development.

The ultimate beneficial owner of MEL is Zhao Dan, who interested in 50% equity interests of MEL and being a nominee shareholder of the remaining 50% equity interests of MEL for Chang Jiangsong* (常見松). Both Zhao Dan and Chang Jiangsong are Independent Third Parties.

The Group's impairment losses in relation to its trade receivables through the provision of PPSP Services

The discussions of the details for the above development projects began since 2019 and after the framework and visions of the project were agreed upon, the agreements were then subsequently entered in 2020. Yet, the Covid-19 had disrupted the construction industry in the PRC and the constructions of the two projects with BVL and MEL were in a state of suspension.

The PPSP Services are preliminary services that are often required before any physical construction works to be commenced. The works and services involved in the PPSP Services, such as authorizing IP rights, conducting market studies, sketches and design proposals that will be used in feasibility reports would be easier and more common to be performed in one-go. Performing such services at once will allow the Company to provide amore all-rounded and completed designs and analysis to its customers. For the development project with BVL, the Group had provided a feasibility report to BVL and completed most of the PPSP Services set out in the above and the Group was expected to receive a total payment of HK\$125.00 million from BVL (as to HK\$56 million due 13 November 2021, as to approximately HK\$29 million due 18 March 2022 and as to HK\$40 million due 23 March 2022). For the development project with MEL, the Group had completed provided a feasibility report to MEL and completed most of the PPSP Services set out in the above and the Group was expected to receive payment of HK\$44.00 million from MEL (due 29 September 2021). The Group was given to understand that the development status of the two projects were affected and the completions of which, including the payment to the Group, had to be postponed.

The Group has been negotiating with these counterparties but were given the responses that the counterparties are expecting to resume the construction projects when they are able to obtain the necessary approvals from the local governmental department. The Group has appointed legal advisers and issued legal demand letters to both BVL and MEL and will continue to take appropriate legal actions for the settlement of the services fees if and when necessary.

The sum of the trade receivables from BVL and MEL, in the amount of HK\$169.0 million, were past due for an extended of time, and as a result, as at the financial year ended 31 March 2023, after deducting the partial payment received by the Group of HK\$13.0 million, the Group recognized a total cumulative impairment loss on these trade receivables through provision of PPSP Services in the amount of approximately HK\$156.0 million. Set out below a summary table of the details of the receivables of the Group that were arisen from the provision of PPSP Services and the corresponding impairment losses.

Table: Receivables in relation to provision of PPSP Services

No.	Name of counterparties	Date of agreement(s)	Expected due date of the payment	Consideration (HK\$ million)	Payment received (HK\$ million)	Gross Receivables		Amount of impairment recognised in respect of trade receivables during the years ended	Cumulative impairment recognised as at	Net balances (after impairment) as at	Latest Status
						31 March 2022 (HK\$ million)	31 March 2023 (HK\$ million)				
1	BVL	13/11/2020	23/3/2022	40.00	—	40.00	15.71	24.29	40.00	—	The Group has performed most of the PPSP
		13/11/2020	13/11/2021	56.00	8.40	47.60	18.70	28.90	47.60	—	Services set out in the agreement but this project is currently stalled pending on BVL's further instructions. Additional to monitoring the project's status, the Group has been negotiating with BVL to apply and set off the payment sums owed to the Group against investment in other ongoing cultural construction projects of BVL that could generate economic returns for the Group. As at the Latest Practicable Date, the Group is still in negotiation with BVL and no decision has been made by the parties.
		13/11/2020	18/3/2022	29.00	—	29.00	11.39	17.61	29.00	—	

No.	Name of counterparties	Date of agreement(s)	Expected due date of the payment	Consideration (HK\$ million)	Payment received (HK\$ million)	Gross Receivables balances		Amount of impairment recognised in respect of trade receivables during the years ended	Cumulative impairment recognised as at	Net balances (after impairment)	Latest Status
						31 March 2022	31 March 2023				
2	MEL	4/9/2020	28/9/2021	44.00	4.60	39.40	15.48	23.92	39.40	—	The Group has performed most of the PPSP Services set out in the agreement but this project is currently stalled pending on MEL's further instructions. Additional to monitoring the project's status, the Group has been negotiating with MEL to apply and set off the payment sums owed to the Group against investment in other ongoing cultural construction projects of MEL that could generate economic returns for the Group. As at the Latest Practicable Date, the Group is still in negotiation with MEL and no decision has been made by the parties.

The Company believes that both BVL and MEL possess of a wide range of investors who are financially capable to make financial investments in the Group's theme parks and upon which, these investments and opportunities may turn into key revenue streams for the Group in the long run. Accordingly, the Company is trying to maintain its business opportunities with these two counterparties and is expected to continue to participate in the subject construction projects when they resume. Since the Company is an experienced player in the theme park industry, further guidance and/or theme park operational related advices were often required by its customers after the PPSP Services were completed. The Company would often be engaged by its customers, for separate construction/service fees, to deliver more construction services, such as monitoring and arranging licensed constructors to perform the required construction services. Considering the time duration involved in legal proceedings, one of the priorities of the Company is to establish long term business relationships that will improve its competitiveness in the theme park industry for long term and it believes that there are sufficient values, benefits or unexploited opportunities if the existing and, or other new, development/renewal projects engaged by BVL and/or MEL will eventually proceed. Should the projects of BVL and MEL resume, the Company may be able to achieve for the potential benefits, i.e. establishing its theme park in a popular district that positioned to attract tourists while establishing business connections with different players of different sectors to explore untapped potentials, it initially strived for when it agreed to participate in the projects of BVL and MEL. The Group will continue to monitor and follow-up with the status of the respective government approvals, respective development plans and the development of the tourism and construction industries in Beijing and Zhuhai.

The Company had appointed legal advisers and issued legal letters to each of BVL and MEL on 30 January 2023, followed by the issuance of statutory demands to them in mid March 2026. The Company had previously discussed with BVL and MEL various alternative settlement solutions, including potential collaborations and repayment arrangements; however, the Group was not satisfied with the proposed offers and is negotiating and awaiting their further proposals. The top priority of the Company is still on completing the Proposed Restructuring as quickly as possible to help resolve its immediate financial difficulties, and is expected that upon Completion, or when its business improves to an extent that it is considered to be more sustainable, the Company will take actions more strictly towards these counterparties to recover its receivables.

3. The Animation and Multimedia Business

The Group's animation derivative products business involves the trading of manufactured pop toys collectibles that relate to the applications of the Group's or other third-parties' animation IPs. Most of the Group's customers of this segment are toys-related manufacturing companies and distributors in Japan.

The Group's multimedia animation entertainment business focuses on entertainment that relate to the applications of the Group's or other third-parties' animation IPs and VR technologies to, including but not limited, produce VR games and VR e-Sports related products and simulation experience. The Group has established VR e-Sports equipment, launched self-innovated VR e-Sports games and is one of the leaders in the VR e-Sports industry in the PRC. Some of the Group's VR features and equipment were also applied onto the entertainment facilities in the Group's theme parks.

The Group's animation and multimedia business plan prior to the Covid-19

The Group was focused on expanding its theme parks business and was attempting to operate towards an "asset-light" business model where the Group could (i) focus more on brands enhancement and licensing of its "Joypolis" and "Wonder Forest" to increase its licensing revenue under the theme park operations; and (ii) outsource its IP development and merchandize manufacturing processes. Prior to the Covid-19, the Group had decided to outsource its undeveloped IPs and some of its production equipment and cooperate with companies with relevant successful experience to develop and extract for more underlying potential commercial values.

The effect of the Covid-19 on the Group's animation and multimedia businesses

The Covid-19 affected the Group's trading of animation derivative products and multimedia animation entertainment businesses in the following ways,

- (i) suppressed regular business activities and complicated the establishment of offline anime-showcases and exhibitions which reduced the exposure and sales of the Group's animation derivative products;
- (ii) forced e-Sports retailers distributors and customers of the Group to close down and decreased the demands for Group's products;
- (iii) business operations and the sales performances of retail stores, merchandise and gaming facilities as a whole were affected and that dampened the willingness of the Group's distributors and customers to conduct promotions and marketing efforts on the Group's products;
- (iv) decreased the demand for the Group's intangible assets and affected the Group's income generated from IPs licensing and the development in the VR Industry; and

- (v) severely affected the operations and financial capacities of the enterprises in the VR Industry and some of these enterprises, being purchasers of the Group's equipment and intangible assets, were unable to make uses of and generate commercial values from the equipment and intangible assets they purchased prior to the Covid-19 to fulfill their payment obligation to the Group.

Disposals of the Group's intangible assets and PPE

Taking into account of the above, during 2019 to 2020, after conducting the relevant due diligences and risk assessments for each of Arto Design, Red Perfect and State Shine (that comprises of reviewing of their credit and reputation, capabilities and expertise, financial strength, compliance with laws and regulations, market expansion and marketing capabilities and customers' feedback) to assess their financial positions, credit risks and business qualifications, including by reaching out to their senior management, customers and suppliers to verify the latest status of their business activities, and being satisfied with the their requisite capabilities to develop and commercialize the assets disposed by the Group, the Group has entered into agreements to dispose some of its production equipment and intangible assets, including not less than 10 IP-rights, (the details of which are disclosed in the next section headed "Background information of the purchasers of the Group's intangible assets and PPE") to cope with its development strategies. In return, having considered that developments of these assets require the purchasers to devote further resources and time, the Group allowed the purchasers one year of time to develop and generate financial values and then settle the respective considerations to the Group. The one year of time was served for IP developments as it usually takes at least 1 year for IPs to reach mature development based on the Company's successful track record of past examples of IP contracts entered into by the Company as well as having discussions with different industry peers operating IP relating to anime and manga. The abovementioned disposals were not expected to affect the operations of the Group's animation and multimedia businesses and the Group is still holding over 50 IPs yet to be developed. The intangible assets set out in the paragraphs below had been transferred to the purchasers upon entering into such agreements so that they could be put into commercial use by the purchasers and the Company has provided good quality venues (i.e. theme parks of the Company) for the operations of the IPs that were developed from the said intangible assets. When the Company disposes its IPs to Arto Design, Red Perfect and State Shine, the Company reached a consensus with each of them that they will authorize the Company to use the developed IPs and share profits from the commercialization of the IPs in the Company's theme parks after the intangible assets transacted have reached mature development. On the other hand, when the Company disposed of its PPE to Hua Teng Chang and Wealth Gather, it has also agreed with each of them on cooperation and profit sharing arrangements, under which Hua Teng Chang provides manufacturing services to the Group for its merchandise and IP-related products, and Wealth Gather helps boost the ticket sales of Joypolis in Shanghai by introducing new customers. The Company and the purchasers considered such arrangement to be mutually beneficial for both sides.

Having considered that (i) such disposals would allow the Group to focus its resource to develop its theme park business; (ii) the subject assets had not been commercially utilised by the Group; (iii) the Group does not have to allocate resources and time to develop these intangible assets (i.e. source files to be developed into usable IPs with commercial values) and upon development, in addition to the receiving of capital inflow from the respective disposals, the Group also aimed at being able to deploy the relevant developed assets in its business for longer-term economic benefits; and (iv) such delayed payment arrangement is a long-adopted approach of the Company and thus in line with the past practices of the Company with successful track records with IP related contracts, the Company considers the above payment arrangement is in line with the Company's policies, market practices reasonable and in the interests of the Company and the Shareholders as a whole as at the material time.

Background information of the purchasers of the Group's intangible assets and PPE

Intangible Assets

1. Arto Design

Arto Design, principally engaged in renovation engineering, games development and multimedia entertainment business, is also one of the purchasers of the Group's intangible assets. It established a business model of "theme park × animation film × VR games" and has been involved in promoting animated-IPs.

The relevant disposal agreements were entered on 6 March 2020 and 13 March 2020 and pursuant to which, the total consideration payables by Arto Design to the Group in relation to the disposal of the intangible assets are in the amount of approximately HK\$30.63 million (approximately HK\$22.77 million was due 6 March 2021 and approximately HK\$7.86 million was due 13 March 2021). The consideration for the intangible assets disposed to Arto Design was determined based on the total acquisition and development costs used by the Group, topped up with a mark-up percentage that was made with reference to the then profit margin of the trading of toys business of the Group and under the market environment at the material time. Based on the said consideration and taking into account of the relevant development and marketing costs, the Group would recognize an estimated gain of approximately HK\$8.86 million after the completion of such disposal. The intangible assets disposed of were:

- A. The global exclusive agency rights for a series of VR games and VR equipment to Arto Design.

These VR games are equipped with hardware facilities designed for immersive experiences and corresponding game content software, including innovative themes such as VR rocket space capsules, VR simulated tanks, and VR large pirate ships, etc.

Arto Design, through cooperating with offline VR shops, market advertisers, and agencies, was aiming to organize and shore up the marketing activities of these assets. The Company was given to understand that Covid-19 had interrupted Arto Design's plan and the cooperating shops, advertisers and agencies could not proceed with their original marketing efforts.

Subsequently, Arto Design resume the recruitment of new advertisers and agencies to execute its marketing plan on these assets. Upon development, these assets are expected to be applied to the rides of the Group's theme parks to improve the immersive and simulative related user experience such as their graphic resolutions, sensors or processing qualities.

B. The IPs relating to image rights and film rights of “Tibetan Antelope King* (藏羚羊)”.

Arto Design has been preparing the making of the season two of the Tibetan Antelope King film which is expected to be completed by the end of the 2nd quarter of 2027. The Company was given to understand that the first batch of products derived from Tibetan Antelope King, that included plush products, plastic toys and children's books, were ordered and produced and will be launched along with the broadcasting of season two of the film. At the same time, Arto Design is developing a VR game with story, characters and settings of Tibetan Antelope King. The modeling and characters of the VR game are designed and approved, and after going through further texturing, image enhancing and other rendering work of the VR game, Arto Design will proceed to finalize the animation production, user interface production, sound effect and final integration and testing of the said game.

Following the above developments, currently, the Group is reviewing the VR games, equipment and IP-products developed by Arto Design and is evaluating whether these VR-related solutions and new products are suitable for application in its upcoming AI-themed park project.

The Directors expected that establishing business relationships with Arto Design could generate synergy effect and future economic benefits to the Group in the cultural entertainment segment. Other background information of Arto Design is set out in the sub-section headed under “Background information of the Park Constructors”.

2. Red Perfect

Red Perfect is wholly-owned by Aiki Kazuya, a Japan citizen. Red Perfect, headquarter based in Japan, is principally engaged in games development and multimedia entertainment business in Japan and the PRC.

The relevant disposal agreement was entered on 24 September 2019 and pursuant to which, the total consideration payables by Red Perfect to the Group in relation to the disposal of the intangible assets are in the amount of approximately HK\$73.80 million due 23 September 2020. The consideration for the intangible assets disposed to Red Perfect was determined based on the total development costs used by the Group, topped up with a mark-up percentage that was made reference to the then profit margin of the trading of toys business of the Group and under the market environment at the material time. Based on the said consideration and taking into account of the relevant development and marketing costs, the Group would recognize an estimated gain of approximately HK\$22.07 million after the completion of such disposal. The intangible assets disposed of were a series of VR games that were completed in 2016 and 2017, including:

- *Fruit Ninja** (水果劍士);
- *Bike Warrior** (騎行勇士);
- *Wings of Time** (時光的翅膀);
- *VR Agent** (VR特工); and
- *VR Drift Boat** (VR漂流船).

According to discussions with Red Perfect, it was expected that new features and functions will be added into the games and merchandizes and goods will be derived from the characters, stories and items of the games to increase the popularity of the games. Red Perfect was also going to increase market efforts on the above said games and organize tournaments in VR shops to attract customers and to enhance their gaming experience.

Meanwhile, considering that Red Perfect and the Group both engaged in the same principal business of games development, the Directors believed that building a business relationship with Red Perfect will eventually facilitate the Group to expand its business in the segment in the PRC and Japan because Red Perfect may introduce potential PRC and Japanese business partners to the Group. Also, Red Perfect, at the material time, had over nine years of experience in games development and multimedia entertainment business.

3. State Shine

State Shine is wholly-owned by Gao Cui* (高翠), a PRC citizen. State Shine is principally engaged in games development and multimedia entertainment business in the PRC.

The relevant disposal agreement was entered on 12 March 2020 and pursuant to which, the total consideration payables by State Shine to the Group in relation to the disposal of the intangible assets are in the amount of approximately HK\$81.40 million due 11 March 2021. The consideration for the intangible assets disposed to State Shine was determined based on the net book value of the intangible assets, topped up with a mark-up percentage that was made after rounds of negotiations with reference to the then profit margin of the trading of toys business of the Group and under the market environment at the material time. Based on the said consideration and taking into account of the relevant development and marketing costs, the Group would recognize an estimated gain of approximately HK\$18.36 million after the completion of such disposal. The intangible asset disposed of was the VR game named “Huangyangjie Defense* (黃洋界保衛戰)”.

According to the discussions with State Shine, it has been allocating resources to advertise the said game and developing the functions and features of the game to support online and multi-players game-play to enhance players’ experience. While the returns from advertisement efforts did not meet its expectation due to the spreading of Covid-19 in the previous years, State Shine has still been working on the enhancement of the game and that certain upgrades have been completed. It is expected the enhancement will be completed by mid-2026. Currently, the Group is reviewing the VR games developed by State Shine and is evaluating whether it is suitable for application in its upcoming AI-themed park project. The Directors were attracted by State Shine’s development in e-Sports business with the theme and features of red tourism (i.e. elements of cultural, historical and revolutionary stories relating to the foundation of the PRC). State Shine, at the material time, had over seven years of experience in games development and multimedia entertainment business.

PPE

4. Hua Teng Chang

Hua Teng Chang was, at the material time of the agreement, wholly-owned by Lou Jingming* (樓景明), a PRC citizen. Hua Teng Chang is principally engaged in designing, producing, developing and sales of derivatives production in the PRC. Hua Teng Chang was a downstream processing supplier of one of the Company’s suppliers of derivative products.

The relevant disposal agreement was entered on 23 June 2020 and pursuant to which, the total consideration payables by Hua Teng Chang to the Group in relation to the disposal of the PPE and trade and other receivables are in the amount of approximately RMB68.00 million (equivalent to approximately HK\$80.53 million) and the PPE disposed to Hua Teng Chang are production and operation assets. Based on the said consideration and taking into account of the relevant development and marketing costs, the Group would recognize an estimated gain of approximately HK\$21.29 million after the completion of such disposal. For products (i.e. toys)

manufacturing including assembly cables, injection molding machine, crushing machine, cooling water tower, labeling machine, pad printing machine, inkjet printer, air compressor and spray tower; whereas, the trade and other receivables are referring to the trade and other receivables of Flourishing Emerald Limited, a wholly-owned subsidiary of the Company. Such trade and other receivables were resulted from Flourishing Emerald Limited for providing the services, upon confirmation of the manufacturing details with its customers, to arrange and determine the raw materials and suppliers that required it to make the advanced payments on behalf of its customers to other independent suppliers. Flourishing Emerald Limited would then collect the total sum of costs it prepaid plus the relevant logistic fees from its customers after the manufacturing and delivery of the products are completed.

The Company transferred the legal titles of the assets to Hua Teng Chang immediately after the agreement was signed despite delayed payment (i) in order to allow Hua Teng Chang to, among other matters, perform installation, furnish the production workshop, test and train workers and pass inspection of the production workshop, so that it can commence its operations immediately to increase its manufacturing output with high standard qualities as required; and (ii) with referenced to the payment period offered to the customers. Pursuant to the terms of the disposal agreement with Hua Teng Chang, the consideration of RMB68.00 million shall be payable within 6 months after meeting the sales conditions and if Hua Teng Chang failed to meet the sales conditions specified in the agreement within 9 months from 23 June 2020, the transaction will be terminated. Hua Teng Chang will then have to return the assets to the Company and sign a rental agreement under which it will be obliged to pay a rental fee for using the transferred assets over the respective period. During the nine-month evaluation period, the Company stationed staff to manage and assess whether Hua Teng Chang's manufacturing capability and output quality met the requirements of the Company's and its customers. Also, Hua Teng Chang had met the sales condition set out in the agreement and the transaction was not terminated.

According to the above, the Company believed that such arrangement would be able to facilitate and allow Hua Teng Chang to increase its capacity output and thus, increase the supplies to the Group to its customers and in turn, generate more income to the Group, which is in the interests of the Company and the Shareholders as a whole.

It was expected that Hua Teng Chang would, after purchased the production equipment and lines from the Group, could become a stable merchandises supplier for the Group's animation derivative products that allows the Group to concentrate on merchandises orders taking and achieve asset-light business model. Hua Teng Chang, at the material time, had over ten years of experience in plastic toys manufacturing.

5. Wealth Gather

Wealth Gather, principally engaged in renovation engineering, theme parks equipment manufacturing and consultancy for theme park business, is a purchaser of the Group's theme park related equipment.

The relevant disposal agreement was entered on 27 March 2021 and pursuant to which, the total consideration payables by Wealth Gather to the Group in relation to the disposal of the park equipment is in the amount of approximately HK\$60.40 million and the PPE disposed to Wealth Gather is the usage right of a park equipment of Joypolis in Shanghai. Based on the said consideration and taking into account of the relevant development and marketing costs, the Group would recognize an estimated gain of approximately HK\$18.67 million after the completion of such disposal. Wealth Gather will have to take care of the repairing and corresponding maintenance costs of the park equipment that it purchased from the Group that is being operated in Joypolis in Shanghai. Through increasing Wealth Gather's involvement in the Group's Joypolis in Shanghai through obtaining usage rights of park equipment, Wealth Gather is more incentivized to promote the ticket sales and increase the number of customers of Joypolis in Shanghai. It was understood that Wealth Gather will promote the Group's Joypolis to various business channels and platforms that it established business relationships with, including but not limited to, travel agencies, student groups and enterprises to increase their willingness to purchase group admission tickets to the park. The Company will track the number of these group customers to verify and inspect annually whether Wealth Gather had achieved the revenue target set by the Group, accounting for 30% or more of the total ticket sales of Joypolis in Shanghai. If 30% or more of the ticket sales of the park were generated through the customer channels and/or platforms recommended by Wealth Gather to the Group, then Wealth Gather will be qualified to split the ticket sales of Joypolis in Shanghai with the Group on a ratio of 30% to Wealth Gather and 70% to the Group. If the said conditions were not met by Wealth Gather for that year, all the ticket sales from Joypolis in Shanghai accumulated in that year will be belong to the Group.

Under the revenue sharing arrangement with Wealth Gather, the Group shared a total of approximately RMB23.15 million for the period from March 2020 to September 2024 from the operation of the subject equipment under the Joypolis in Shanghai prior to the disposal of such park to an Independent Third Party. The profit shared by Wealth Gather, together with the disposal proceeds payable to Wealth Gather in the total amount of approximately RMB9.34 million, was paid to the Group to set off the outstanding consideration payable by Wealth Gather to the Group in relation to the disposal of park equipment in March 2021 of HK\$60.40 million as mentioned in the above.

Other background information of Wealth Gather is set out in the sub-section headed under "Background information of the Park Constructors".

Each of the purchasers and their respective ultimate beneficial owners mentioned in this section is an Independent Third Party.

The Group's impairment losses in relation to the disposals of the Group's intangible assets and PPE

The Group was given to understand that the businesses and cashflows of the purchasers of the Group's intangible assets were affected and they could not pay their considerations to the Group due to Covid-19. They could not generate any economic returns as a result of decreased pedestrian traffic and temporary closing down of their themed e-Sports stores in the PRC as the VR Industry and e-Sports entertainment, including the equipment and games, would require the players to experience physically. Consequently, the purchasers could not continue to devote resources to develop the assets they purchased from the Group as they intended when they agreed to purchase the relevant assets from the Group. Similarly, the businesses and cashflows of the purchasers of the Group's PPE were affected as a result of the decrease in orders and demand for theme park merchandises following the downturn of the theme park industry and the temporary closing down of the theme parks in the PRC.

Having considered the purchasers' financial position and the general market conditions in the PRC at the moment, the Directors do not consider the seeking of a return of the relevant IPs from the respective IPs purchasers or the relevant PPE from the respective PPE purchasers are in its best economic interest because the relevant assets would require the Group to devote additional capital investment, time and resources before they could generate commercial returns for the Company. The Company also attempted to locate new buyers for the IPs but has not been successful.

The Group has obtained legal advices and issued demand letters to each of the purchasers on this regard requesting for the recovery of the receivables from the disposals of assets of the Group. After reviewing the feedback reports from the Accounts Receivable Committee, it is believed that further legal actions against these purchasers might force them to go into liquidation and would further reduce the chance of recovering the respective considerations from the disposals.

Other than the above, the Directors had also been keeping close communications with these purchasers, monitoring their financial positions and, based on the market condition, evaluating the options available to the Company from time to time, on the possibilities to, including but not limited to, (i) revise the payment schedule and settle partial repayments immediately; and/or (ii) request the purchasers to add collaterals/guarantees as security in favor of the Group.

The receivables in relation to the proceeds of the disposal of the Group's intangible assets and PPE were overdue for an extended period of time, and as a result, as at the financial year ended 31 March 2023, the Group recognized total cumulative impairment amounts on the proceeds in relation to the disposed intangible assets and PPE in the amount of approximately HK\$176.53 million and approximately HK\$121.85 million respectively. Set out below a summary table of the details of the receivables of the Group that were arisen from the disposals of its intangible assets and PPE and the corresponding impairment losses.

Table: Receivables in relation to the disposals of the Group's intangible assets and PPE

No.	The Purchasers	Date of agreement(s)	Expected due dates of the consideration	Consideration	Payment received up to 31 March 2022	Gross receivable balances (before impairment) as at 31 March 2022	Cumulative impairment recognised as at 31 March 2021	Amount of impairment/ (reversal of impairment) recognised in respect of the disposal of its intangible assets during the years ended 31 March 2022	31 March 2023	Cumulative impairment recognised as at 31 March 2023	Net balances (after impairment) as at 31 March 2023	Status as at the Latest Practicable Date
				(million)	(million)	(million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	
For the Intangible Assets												
1	Arto Design	6/3/2020	6/3/2021	HK\$22.77	HK\$1.14	HK\$21.63	0.22	21.41	—	21.63	—	Settlement agreements were entered between the parties whereby Arto Design agreed to repay the considerations to the Group by instalments.
		13/3/2020	13/3/2021	HK\$7.86	HK\$0.40	HK\$7.46	0.07	7.39	—	7.46		
2	Red Perfect	24/9/2019	23/9/2020	HK\$73.80	HK\$3.69	HK\$70.11	1.68	68.43	—	70.11	—	A settlement agreement was entered between the parties whereby the Red Perfect agreed to repay the considerations to the Group by instalments.
3	State Shine	12/3/2020	11/3/2021	HK\$81.40	HK\$4.07	HK\$77.33	0.78	76.55	—	77.33	—	A settlement agreement was entered between the parties whereby the State Shine agreed to repay the considerations to the Group by instalments.

For the PPEs

No.	The Purchasers	Date of agreement(s)	Expected due dates of the consideration	Consideration	Payment received up to 31 March 2022	Gross receivable balances (before impairment) as at 31 March 2022	Cumulative impairment recognised as at 31 March 2021	Amount of impairment/ (reversal of impairment) recognised in respect of the disposal of its intangible assets during the years ended 31 March 2022	31 March 2023	Cumulative impairment recognised as at 31 March 2023	Net balances (after impairment) as at 31 March 2023	Status as at the Latest Practicable Date
				(million)	(million)	(million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	
4	Hua Teng Chang	23/6/2020 (note 3)	8/6/2021 (note 4)	RMB68.00	—	RMB68.00	0.81	83.05	(6.14)	77.72	—	The titles of the property, plant and equipment have been transferred to Hua Teng Chang. The Company and Hua Teng Chang have reached consensus that all equipment under the agreement will be pledged in favor of the Group and would provide more production assets to be pledged in favor of the Group. The Company is requesting for more pledging assets as compensation in exchange for the extension of the due date of the payment.

No.	The Purchasers	Date of agreement(s)	Expected due dates of the consideration	Consideration	Payment received up to 31 March 2022	Gross receivable balances (before impairment) as at 31 March 2022	Cumulative impairment recognised as at 31 March 2021	Amount of impairment/ (reversal of impairment) recognised in respect of the disposal of its intangible assets during the years ended 31 March 2022	31 March 2023	Cumulative impairment recognised as at 31 March 2023	Net balances (after impairment) as at 31 March 2023	Status as at the Latest Practicable Date
				(million)	(million)	(million)	(HK\$ million)	(Note)	(HK\$ million)	(HK\$ million)	(HK\$ million)	
5	Wealth Gather	27/3/2020	27/3/2021	RMB54.91	RMB12.86	RMB42.05	0.60	51.25	(7.72)	44.13	—	The Group disposed the assets of Joypolis in Shanghai (including the assets purchased by Wealth Gather) in September 2024. The net consideration arise from the disposal of the assets possessed by Wealth Gather was fully used to reduce the outstanding payables of Wealth Gather to the Group. As at the Latest Practicable Date, Wealth Gather still owes the Group in the amount of approximately RMB22.42 million and the parties are negotiating on the settlement terms to repay such outstanding payables to the Group.
									(note 2)			

Notes

1. *The amount in RMB was translated into HK\$ at the rate of approximately 1.233 and approximately 1.1429 as at 31 March 2022 and 2023 respectively. The amount of reversal of impairment recognised in the financial year ended 31 March 2023 reflected the currency exchange difference.*
2. *The amount in RMB was translated into HK\$ at the rate of approximately 1.233 and approximately 1.1429 as at 31 March 2022 and 2023 respectively. The Group received a payment in the amount of RMB3.44 million during the financial year ended 31 March 2023. The amount of reversal of impairment recognised for the financial year ended 31 March 2023 reflected the currency exchange difference and the repayment received.*
3. *On 23 June 2020, the Group has entered into a transfer agreement of production equipment to transfer the production and operation assets and trade and other receivables of Flourishing Emerald Limited, a wholly-owned subsidiary of the Company, to Hua Teng Chang. The trade and other receivables of Flourishing Emerald Limited were arisen from the advance payment made by Flourishing Emerald Limited on behalf of Jiangmen Fuji Toys Co., Ltd., which was a PRC customer of Flourishing Emerald Limited that mainly engaged in the production of various types of plastics, electronics, plush toys, candy toys, toiletries and toys, stationery, and craft gifts, to other third parties.*
4. *Under the terms of the respective agreements, the full consideration of each disposals should be received by the Group before the due date as shown in the table.*

The latest status of the Group's receivables in relation to the disposals of its intangible assets and PPE

Over the years, the Group has been monitoring the status of the above purchasers and actively negotiating with each of them to reach for solutions for the recovery of the considerations to the Group. In light of the reasons that (i) the theme park industry and operations and VR Industry have been recovering; (ii) the purchasers have demonstrated to the Group their willingness to continue to work and communicate with the Group on reaching acceptable solutions; (iii) through the existing business relationships established with the purchasers, the Group may be introduced to new business connections and opportunities; (iv) the PPE purchasers have pledged all the subject assets purchased from the Group as securities in favor of the Group; and (v) Wealth Gather agreed to increase its effort to recruit and refer more customers to the Group's Joypolis in Shanghai (these customers include travel agencies, student groups and corporate groups in the Southern China region) and have the potential to bring even more new customers which will then increase the ticket sales of the Group and/or to introduce potential investors that may be interested in establishing new parks with the Group which will then expand the Group's revenue streams, the Directors have recently agreed to revise the repayment terms and extend their repayment period (set out as below) to settle the remaining amount of the respective considerations to the Group.

Purchasers	Status of the settlement
1. Arto Design	<p>On 27 October 2023, settlement agreements were entered whereby Arto Design shall repay the outstanding considerations in the sum of approximately HK\$29.09 million to the Group in 22 instalments with the last instalment on 10 April 2029.</p> <p>The Company also entered into an IP cooperation agreement with Arto Design on the same date along with the settlement agreement to authorize the Company to use the developed IP and share profits from the commercialization of the IP in the Company's theme parks after such IPs reached mature development in order to protect the Company's interests in case Arto Design fails to make repayments again. Key terms of such IP cooperation agreement include the followings:</p> <ul style="list-style-type: none"> (i) The purchaser provides at no consideration to the Company an unlimited right to use the intangible assets in any offline activities in Joypolis theme park(s) of the Company. (ii) Income arising from the intangible assets within the Company's Joypolis theme parks will be split between the Company and the purchaser with each receiving 50%. The purchaser's entitlement to the income generated will first be set off against the outstanding consideration for the intangible assets which the purchaser has not paid the Company. The Company will only pay the purchaser its share of income after the outstanding consideration has been repaid in full. (iii) Before the purchaser repays the consideration for the intangible assets in full, it must seek and receive the Company's written approval if it intends to use or authorise the commercial use of the IP in third-party channels. (iv) The purchaser may freely use or authorise the use of the IP in third-party channels after it has completed repayment of the consideration. The Company will continue to be entitled to its use of the intangible assets in its Joypolis theme parks.

Purchasers Status of the settlement

In the event that Arto Design did not make the instalment according to the date as set out in the settlement agreement, the Company may exercise its right, among others, to take back all the subject assets (including all the investment already made by Arto Design) transferred to Arto Design.

As at the Latest Practicable Date, Arto Design had settled a total of HK\$1.2 million according to the payment terms of the settlement agreements.

2. Red Perfect On 9 November 2023, a settlement agreement was entered whereby Red Perfect shall repay the outstanding consideration in the sum of HK\$70.11 million to the Group in 22 instalments with the last instalment on 18 April 2029.

The Company also entered into an IP cooperation agreement with Red Perfect on the same date along with the settlement agreement to authorize the Company to use the developed IP and share profits from the commercialization of the IP in the Company's theme parks after such IPs reached mature development in order to protect the Company's interests in case Red Perfect fails to make repayments again. Key terms of such IP cooperation agreement include the followings:

- (i) The purchaser provides at no consideration to the Company an unlimited right to use the intangible assets in any offline activities in Joypolis theme park(s) of the Company.

- (ii) Income arising from the intangible assets within the Company's Joypolis theme parks will be split between the Company and the purchaser with each receiving 50%. The purchaser's entitlement to the income generated will first be set off against the outstanding consideration for the intangible assets which the purchaser has not paid the Company. The Company will only pay the purchaser its share of income after the outstanding consideration has been repaid in full.

Purchasers Status of the settlement

- (iii) Before the purchaser repays the consideration for the intangible assets in full, it must seek and receive the Company's written approval if it intends to use or authorise the commercial use of the IP in third-party channels.
- (iv) The purchaser may freely use or authorise the use of the IP in third-party channels after it has completed repayment of the consideration. The Company will continue to be entitled to its use of the intangible assets in its Joypolis theme parks.

In the event that Red Perfect did not make the instalment according to the date as set out in the settlement agreement, the Company may exercise its right, among others, to take back all the subject assets (including all the investment already made by Red Perfect) transferred to Red Perfect.

As at the Latest Practicable Date, Red Perfect had settled a total of HK\$700,000 according to the payment terms of the settlement agreement.

- 3. State Shine On 31 October 2023, a settlement agreement was entered whereby State Shine shall repay the outstanding consideration in the sum of approximately HK\$77.33 million to the Group in 22 instalments with the last instalment on 25 April 2029.

The Company also entered into an IP cooperation agreement with State Shine on the same date along with the settlement agreement to authorize the Company to use the developed IP and share profits from the commercialization of the IP in the Company's theme parks after such IPs reached mature development in order to protect the Company's interests in case State Shine fails to make repayments again. Key terms of such IP cooperation agreement include the followings:

- (i) The purchaser provides at no consideration to the Company an unlimited right to use the intangible assets in any offline activities in Joypolis theme park(s) of the Company.

Purchasers Status of the settlement

- (ii) Income arising from the intangible assets within the Company's Joypolis theme parks will be split between the Company and the purchaser with each receiving 50%. The purchaser's entitlement to the income generated will first be set off against the outstanding consideration for the intangible assets which the purchaser has not paid the Company. The Company will only pay the purchaser its share of income after the outstanding consideration has been repaid in full.
- (iii) Before the purchaser repays the consideration for the intangible assets in full, it must seek and receive the Company's written approval if it intends to use or authorise the commercial use of the IP in third-party channels.
- (iv) The purchaser may freely use or authorise the use of the IP in third-party channels after it has completed repayment of the consideration. The Company will continue to be entitled to its use of the intangible assets in its Joypolis theme parks.

In the event that State Shine did not make the instalment according to the date as set out in the settlement agreement, the Company may exercise its right, among others, to take back all the subject assets (including all the investment already made by State Shine) transferred to State Shine.

As at the Latest Practicable Date, State Shine had settled a total of HK\$700,000 according to the payment terms of the settlement agreement.

4. Hua Teng
 Chang

On 1 December 2023, a settlement agreement was entered whereby Hua Teng Chang (i) shall repay the considerations in the sum of approximately RMB68.00 million to the Group within five years from the date of the settlement agreement; and (ii) pledged all the assets it purchased from the Company under the relevant disposal agreement and its own assets and production lines as security for repayment of the settlement sum.

Purchasers	Status of the settlement
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The Company, depending on production needs at the material time, may also request Hua Teng Chang to transfer the assets it purchased from the Company upon the Company's request after 18 months from the date of the settlement agreement and the relevant consideration can be set off from the unpaid consideration owed by Hua Teng Chang to the Group.

Additionally, the Company specified the location where the disposed assets to Hua Teng Chang were to be operated (i.e. factories owned by the Company) to ensure that the Company could be able to closely monitor the uses of the subject assets until receiving full settlement.

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| 5. Wealth Gather | On 2 December 2023, a settlement agreement was entered whereby Wealth Gather (i) shall repay the outstanding considerations in the sum of approximately HK\$35.58 million to the Group within five years from the date of the settlement agreement; and (ii) pledged all the assets it purchased from the Company under the relevant disposal agreement as security for repayment of the settlement sum. |
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The Group disposed of its assets of Joypolis in Shanghai (including those held by Wealth Gather) to an independent buyer for a total consideration of RMB17 million. Following the disposal, the profit sharing arrangement between Wealth Gather and the Group has ended. Notwithstanding the above, after discussing with Wealth Gather, the parties are expected to continue on a similar profit sharing arrangement in respect of upcoming project collaborations until such debts are paid to the Group in full.

In addition to the above, the Group will continue to follow up closely on the repayment status and take all actions as it deems appropriate to protect the Company's interest.

Before reaching agreements to the above repayment solutions with the parties, the Company conducted standard due diligence procedures and was of the view that it may take years for the current economic environment to be considered fully recovered. A systematic risk assessment of the purchasers, including by reviewing their business project agreements, conducting on-site inspections of their ongoing business, and conducting interviews with upstream and downstream companies in the industry, was also conducted by the Company in order to assess whether their financial situations and operational capabilities still meet the Company's requirements. Taking into

account of the difficulties faced by the purchasers, upon negotiations, the Company considered that the terms of the settlement reflected practical solutions that the parties can agreed upon on. Pursuant to the agreed settlement solutions, the Company has the right to terminate the intangible assets disposal agreement and take ownership of any and all documents and products produced by the purchaser with the intangible assets within three days, with any payments already made by the purchaser to be retained by the Company with no refund should the purchasers delay payment of any of the instalments. Accordingly, since the purchasers would face a total loss of any instalments already paid and any products already produced from the intangible assets should they default in any repayment, the Company regards the settlement solutions to be adequate in protecting the interest of the Company so that such repayment period and pattern be acceptable.

In the Company's attempts to accelerate the development processes of Arto Design, Red Perfect and State Shine on the disposed intangible assets and having considered that the potential risks of the developed products ultimately end up not being fit or useful to the Group, the settlement schedules with Arto Design, Red Perfect and State Shine are designed to be paid by installments. On the other hand, provided that (i) Hua Teng Chang's outstanding amount will be partially offset continuously by the material and production costs incurred from the supplying of merchandizes and goods to the Group; and that (ii) Wealth Gather's outstanding amount will also be partially offset continuously from the total revenue generated from the new customer groups recommended to Joypolis in Shanghai, the settlement terms with Hua Teng Chang and Wealth Gather are different than the ones agreed with Arto Design, Red Perfect and State Shine.

4. Other developments of the Group in relation to the VR and Games Investment

With the intentions to increase involvement in the development of the VR Industry and to enhance the operation of the Group's theme parks in terms of user-experiences, in August and September 2015, the Group entered into agreements with the Lechuang Group to, among others, (i) to invest capital into a company that was expected to be set up and operated by the Lechuang Group that develops VR related products in the PRC; and (ii) to engage members of the Lechuang Group to develop and produce, including but not limited to, a 9-dimensional experiential game that could be applied into the facilities of the Group's theme parks. Upon completion of the VR and Games Investment, it was expected that the VR related technologies and games developed under the VR and Games Investment, featuring unique and innovative technologies, could bring enjoyable experience to the theme parks' customers and improve the attractiveness of and sales to the theme parks of the Group.

The Group entered into an investment agreement with GZLC and GZCA on 20 August 2015 and pursuant to which, the Group would have to make an investment of RMB4.5 million and GZLC and GZCA were expected to develop the Group's IPs and would set up and operate a company that develops VR related products with the Group.

The Group entered into a game and software system development agreement with Lechuang Holdings (Hong Kong) Limited* (樂創控股(香港)有限公司) (“LCHK”), ultimately owned as to 35% by Liang Yingtao* (梁應滔), 35% by Zang Dedui* (臧德對) and as to 30% to Liang Yinghong* (梁應鴻), on 20 September 2015 and pursuant to which, the Group would pay HK\$20.4 million to LCHK to develop games and software system applicable for the Group’s theme parks business.

Each of the members of the Lechuang Group (i.e. GZLC, GZCA and LCHK) and their respective beneficial owners mentioned in this section is an Independent Third Party.

The Group met the Lechuang Group in the Guangzhou Amusement Equipment Industry Exhibition in 2014 and was given to understand that was engaged in the development of the implication of VR technologies in relation to online experiences in relation to games and cinemas, online and offline content research and development and owns various patents and software copyrights. With interests in expanding its business scope into the VR Industry, the Group had agreed to invest in the Lechuang Group (i.e. approximately RMB4.50 million) and to develop cooperatively (i.e. approximately HK\$20.40 million) for VR related content such as offline shop chains, games design and other interactive entertainment related productions.

Actions taken against the Lechuang Group

During 2020, the Board was given to understand that the operations of the Lechuang Group, especially its offline VR segment, were materially affected by Covid-19 and that the development of the 9-dimensional game and some software development that applicable to theme parks, at the material time, could not be fully completed.

So far, the Lechuang Group had completed the following VR games and delivered them to the Group,

- (i) *Fruit Ninja** (水果劍客);
- (ii) *Bike Warrior** (騎行勇士);
- (iii) *Wings of Time** (時光的翅膀);
- (iv) *VR Agent** (VR特工);
- (v) *VR Drift Boat** (VR漂流船);

(vi) Rhythmic Master of Violet / Fantastic Dreamland of Violet / Turtle Hanba's Karting Car;
and

(vii) *Starry Fight of Violet*.

The above games were used in Joypolis in Shanghai, as games demonstrations in animation and VR promotion events of the Group. Games (i) to (v) of the above were then subsequently sold to Red Perfect for further development (i.e. adding in more functions, features and values). Upon further development, if thought fit, the Group may discuss with Red Perfect on re-utilizing them in its operations. It was expected that new features and functions will be added into the games and merchandizes and goods will be derived from the characters, stories and items of the games to increase the popularity of the games. According to Red Perfect, it was going to increase market efforts on the games it purchased and also organize tournaments in VR shops to attract customers and to enhance their gaming experience.

However, after being affected by the Covid-19, the Lechuang Group, other than providing the Group the games and software that had already been completed it said that it would return the remaining investment to the Group. Since September 2020, the Group has been issuing payment reminder notices to the Lechuang Group and had arranged senior management personnel to negotiate and explore feasible solutions but the Lechuang Group was unable to return the investment of the Group as agreed and the parties could not reach for an agreement on the details of the repayment method and timing of these repayment. In light of the above, the Company had issued demand letters to the Lechuang Group in November 2022 but has not received any return so far. Please also refer to the information set out in Scheme Receivable #2 and the corresponding Note 3 of the table under the sub-section "Details and breakdowns of Scheme Receivables" under "4. THE DEBT RESTRUCTURING BY WAY OF THE CREDITORS' SCHEME" in this letter.

As the Company has prioritized to develop theme parks business and is also of the view that the VR Industry will gradually recover, the Company had requested the Lechuang Group (i) to refund the investment of RMB4.50 million to the Group (as one of the Scheme Receivables and part of the Scheme Assets); and (ii) to complete the remaining games and software development and to provide the Group with additional games and software that will assist the Group in quickly resuming its business expansion. The Company reached a consensus with the Lechuang Group that the members of the Lechuang Group should continue to develop another 10 VR games, including creating background story, content and music for the Group by 2027 by making uses of the Group's IPs. The Company will then decide whether it will put these VR games into use and/or when right timing and opportunities arise, sell them to other developers that are willing to put in resources to improve the features and values of such VR games. The Group appointed legal advisers and issued a demand letter to the members of the Lechuang Group in November 2022. Subsequently, the Group filed a lawsuit with the Nansha Court in Guangzhou seeking

compensation of RMB4.5 million. Following this filing, GZLC proposed alternative settlement arrangements to the Group. Currently, the lawsuit has been withdrawn as the Group and GZLC have resumed negotiations, and the Lechuang Group has agreed to continue developing games for incorporation into the Group's theme parks in accordance with the Group's specifications. While the Lechuang Group is completing the ongoing game development, the Group is also reviewing and assessing the alternative proposals from the Lechuang Group, including a potential share swap arrangement with its members in lieu of a refund of the Group's previous investment. The Company will continue to monitor and have ongoing negotiations with the Lechuang Group on possible solutions to recover the investment made by the Group and the receivables and compensations for the Group while also urging the Lechuang Group to complete its services owed to the Group in developing applicable games and software for the Group's theme parks.

The Group's impairment losses due to the failure of refund of investment and delivery of products in relation to the VR and Games Investment

The investment in the Lechuang Group has not been retrieved and the payment for the game and system development has not been recovered its value, over an extended period of time, and as a result, as at the financial year ended 31 March 2023, the Group recognized a total cumulative impairment loss on its other receivables in relation to the VR and Games Investment in the amount of HK\$25.11 million. Set out below a summary table of the details of the investment and the amount of consideration for the games and software development made by the Group to the Lechuang Group in 2015 and the corresponding impairment losses.

Table: Impairment losses arise from the VR and Games Investment

No.	Name of counterparties	Date of agreement(s)	Expected due date of the refund	Consideration (HK\$ million)	Repayment received (HK\$ million)	Gross Receivables		Amount of impairment recognised in respect of investment and cooperation during the year ended 31 March 2022 (HK\$ million)	Cumulative impairment recognised as at 31 March 2021 (HK\$ million)	Cumulative impairment recognised as at 31 March 2023 (HK\$ million)	Net balances (after impairment) as at 31 March 2023 (HK\$ million)	Status as at the Latest Practicable Date
						balances (before impairment) as at 31 March 2022 (HK\$ million)	balances (after impairment) as at 31 March 2023 (HK\$ million)					
1	GZLC and GZCA	20/8/2015	20/3/2021	RMB4.50	—	5.09	5.04	0.05	—	5.09	—	The Company has requested the parties to return the investment of RMB4.50 million to the Group. The Company has issued a legal demand letter to these two debtors in November 2022 to recover this sum. The Group has subsequently withdrawn the lawsuit and is evaluating alternative solutions, including a share swap arrangement, as offered by the Lechuang Group.
	Lechuang Holdings (Hong Kong) Limited	20/9/2015	20/3/2021	20.40	0.38	20.02	19.82	0.20	—	20.02	—	The Company and the party reached consensus to complete the remaining existing games and software development and are negotiating to provide additional games and software to facilitate the growth of the Group.

The Group will continue to negotiate with the Lechuang Group, in particular on, the arrangement for the refunding of the investment in the amount of RMB4.50 million to the Group and the schedule for the completion of the development of the games and software for the Group. The Group will take further actions against the Lechuang Group (if and as necessary) as it deems appropriate to protect the Company's interest.

Recap of the set backs experienced by the Group that cause the entering into of the Term Sheet

To summarize, in terms of the Group's theme park business, (i) the sales were reduced; (ii) existing parks were forced to close from time to time during the Covid period in 2020 to 2022; (iii) the parks which the Group invested a sizeable amount of prepayment could not come into operation as expected; and (iv) the Group did not receive its payment for the provisional of the PPSP Services resulted in a total cumulative impairment loss of approximately HK\$454.13 million as at 31 March 2023 and 31 March 2024 (HK\$298.13 million and HK\$156.00 million respectively) as detailed under "Table: Prepayments in relation to the theme parks constructions" and "Table: Receivables in relation to the provision of PPSP Services".

On the other hand, in terms of the Group's other businesses, (i) the Group could not receive the relevant full amount of the consideration of its disposals of assets; (ii) the demands for its figures and toys were affected; and (iii) the development of VR technologies and games that were expected to be used to enhance its theme parks could not materialize as expected resulted in a cumulative impairment loss of approximately HK\$298.38 million as at 31 March 2023 and 31 March 2024 as detailed under "Table: Receivables in relation to the disposals of the Group's intangible assets and PPE".

The Group had invested a substantial amount of resources to develop its business but as a result of, among other factors, the Covid-19 and the failures of the business partners of the Group in meeting their payment obligations, those investment had not been providing the economic returns to the Group as intended and had been exerting resistance on the growth of the Group resulted in a cumulative impairment loss of approximately HK\$25.11 million as at 31 March 2023 and 31 March 2024 as detailed under "Table: Impairment losses arise from the VR and Game Investment".

6.2. Material expenses of the Group devoted to expand its businesses

With the intentions to recover its business as quickly as possible once the normal market activities (i.e. number of tourists) resume and to secure its market position and competitive advantages in the theme park and entertainment industry in the PRC, the Group had also been investing into a variety of research and developments to improve its theme park business despite of the difficult operation environment as previously described.

As a result of technological improvement over time, the Group had to apply different entertaining features from time to time (the sources of which could be either self-developed, co-developed or purchased from others), including but not limited to, animation characters, themes, background stories, music and VR glasses and experience in order to increase the attractiveness of the entertainment it offers and to enhance the satisfactions and experience of its customers in the theme parks. Accordingly, in addition to its strategies prior to the Covid-19 to increase the number of theme parks and to achieve asset-light business model, the Group is in the process of enriching its theme park experience with the concepts of virtual and the metaverse and is currently invested in innovative technologies to spread its business coverage from traditional theme park visits to the internet, VR and digital applications and programs that give ways to the Group to generate more and sustainable economic benefits in maximizing the returns to the Company and the Shareholders in the foreseeable future.

The Directors consider that investing in upgrading its theme parks and the enhancing of softwares and hardwares of the theme parks can attract customers and increase their loyalties to the Group more effectively, which would eventually lead to more sales of admission tickets and further economic benefits for the Group. The Group therefore, discussed and prepared since 2019, formulated to develop the New Projects to fulfill the above-said goals and identified and appointed various IT-related services providers throughout the period from 2020 to 2022 (to be elaborated in the section below headed “Issuing of the 2022/23 Bonds”). It is believed that upon completions of the New Projects the increase in applications of innovative technologies that promote the trend for digitalization, such as blockchain, artificial intelligence, datafication etc., among other things, may improve the Group’s businesses performances, enrich its entertainment services scope and attract more potential investors to diversify its revenue streams.

As a result, despite of the operation difficulties and financial restrains currently experiencing by the Group, the Directors are of the view that the investment that were made by the Group are critical, essential and necessary for the Group to cope with the technological evolution and the changes in the nowadays consumer behaviors towards digital transformation in the PRC to sustain its attractiveness as an entertainment provider and theme park operator.

Investments made for the expansion and enhancement of the Group's businesses

Set out below are details of investments, deposits, acquisitions, capital commitments and material expenditures made by the Group for the two years ended 31 March 2022 and 31 March 2023:

Table: Breakdown of the Group's expenses in 2022 to 2023

No.	Name of counterparties (and their respective ultimate beneficial owners)	Nature and Scope of Services	Amount Timing (HK\$ million)	Sources of Funding	Reasons and Basis	Status as at the Latest Practicable Date
1	China Elite Consultants Limited (Chiu Hin Wai Angela)	To facilitate the Company in fundraising of HK\$50 million and to identify investor(s) to invest and cooperate a theme park in Southeast Asia of the PRC. The estimated total investment cost is expected to be HK\$125 million and be owned as to 51% by the Group and 49% by others. Should the park open and operate successfully, this counterparty will receive HK\$500,000 as commission.	50.0 September 2021	Bonds of the Company issued in September 2021.	To expand the Group's theme park operations in Southeast Asia and the PRC and was made reference to the Group's previous theme park construction costs.	The Group and an investor are in the process of planning the structure, content, designs of a theme park to be developed in Hangzhou, the PRC. A feasibility report of the theme park has been prepared by the Group and as at June 2024, approximately HK\$2.2 million was utilized for the preparation and development of this project. The Group is negotiating with the relevant local governmental authorities and seeking for their support in the construction of this theme park. The construction works for this theme park are expected to be commenced by 1st quarter of 2025.

No.	Name of counterparties (and their respective ultimate beneficial owners)	Nature and Scope of Services	Amount	Timing	Sources of Funding	Reasons and Basis	Status as at the Latest Practicable Date
2	Professional parties of the Group	Facilitate the procedures and document for the purpose of the implementation of the Proposed Restructuring, including but not limited to, engaging legal and financial advisors, audit fee, printer's fee and others.	36.5	During the year ended 31 March 2023	The Investor Bonds and the Investor Loan.	For the implementation of the Proposed Restructuring and was made reference to prevailing market fees.	Professional parties are appointed and the implementation of the Proposed Restructuring has been in progress.
3	More than ten suppliers of equipment for set up theme park in Japan	Provision of equipment to the Group which would be used in the Group's theme park in Japan.	9.1	From April 2022 to November 2022	Obtain Mostly through financing from a financial institution in Japan, JA Mitsui Leasing Limited (JA 三井リース株式会社) through sales and leaseback of the equipment.	To expand the Group's theme park business in Japan and was made reference to prevailing market fees.	The subject equipment was put into operation in the Group's theme park in Japan.
4	Speedlight Capital Company Limited (Zhao Wen Jing)	To facilitate the Group's theme park business to be expanded into regions of Taiwan, the HK\$3.6 million was used to subscribe bonds that has an annual coupon rate of 8% with a maturity term	3.6	March 2023	Proceeds from disposal of equities of other listed companies.	To establish theme park business network in Taiwan in preparation to expand the Group's	The Group subscribed the counterparty's bonds with maturity date to 28 June 2026 Speedlight Capital Company Limited facilitated

Name of counterparties (and their respective ultimate beneficial owners)	Nature and Scope of Services	Amount (HK\$ million)	Timing	Sources of Funding	Reasons and Basis	Status as at the Latest Practicable Date
Shan Dian Technology (HK) Company Limited	of 1.5 years issued by Speedlight Capital Company Limited. The subscription of bonds of Speedlight Capital Company Limited would come with an annual coupon rate of 8% and that yields a higher return when compared to the bonds issued by the Group. Upon having negotiations with Speedlight Capital Company Limited, the Company learnt that it has connections with investors who may be interested in the Group's business. Through this subscription, the Group may establish a business partnership with Speedlight Capital Company Limited, and may potentially facilitate the Group to expand its business into Taiwan region or allow the Group, through referrals, to tap into the resources and network of Speedlight Capital Company Limited.				theme park operations in Asia and the terms of the bonds were determined after arm's length negotiation with reference to the prevailing market rate.	and referred to the Company the investors who agreed to invest into a sports-themed Joypolis with the Group that has been established at Kai Tak Sports Park and commenced operations. Following the successful referral of the investor that led to the establishment of Joypolis in Kai Tak, the Company was informed that Speedlight Capital Company Limited had transferred its bond obligations to Shan Dian Technology (HK) Company Limited in March 2024 to focus on other business developments. Shan Dian Technology (HK) Company Limited, which was referred by Speedlight Capital Company Limited, has an established theme park business network in the PRC and has agreed to introduce not fewer than five potential theme park investors to the Group. For any successful referrals that result in the establishment of theme parks, Shan Dian Technology (HK) Company Limited will be entitled to a referral fee. In view of the successful cooperation

No.	Name of counterparties (and their respective ultimate beneficial owners)	Nature and Scope of Services	Amount	Sources of Funding	Reasons and Basis	Status as at the Latest Practicable Date
			<i>(HK\$ million)</i>			
5	Allied Fair Industrial Limited (Cheung Siu Yu)	To develop and enhance services for the operations of online theme park in the metaverse platform and provision of related advertisement services.	3.0	The Group's internal resources.	To expand the scope of the Group's theme park operations to the metaverse and was made reference to prevailing market rate after comparing to similar services providers available.	Purchased the rights of property to operate online theme park in the metaverse. Proposed theme park structures and designs to the Group. Currently, the counter-party is identifying suitable IPs to develop and design non-fungible tokens and developing applicable technology and software that allow the Group to enhance the operations and users experience of the online theme park.
						previously achieved with Silverlight Capital Company Limited, and given that Shan Dian Technology (HK) Company Limited was recommended by it, the Group has agreed to extend the maturity date of the bond with Shan Dian Technology (HK) Company Limited to 28 June 2026 for the purpose of facilitating such cooperation.

No.	Name of counterparties (and their respective ultimate beneficial owners)	Nature and Scope of Services	Amount	Sources of Funding	Reasons and Basis	Status as at the Latest Practicable Date
6	Gold Touch Ventures Limited (Chiu Ling Yan)	To develop and enhance services for the operations of online theme park in the metaverse platform.	1.4	The Group's internal resources.	To expand the scope of the Group's theme park operations to the metaverse and was made reference to prevailing market rate after comparing to similar services providers available.	Developing the applicable technology and software that would enhance the operations and users experience of the online theme park.

Additional to the above, the Company has recognised research and development expenses of HK\$262.6 million during the year ended 31 March 2023 through the issuing of bonds of the Company to its services providers to partially settle its outstanding payables. Please refer to the section below.

Issuing of the 2022/23 Bonds

The Company have entered into contracts with the holders of the 2022/23 Bonds, comprising IT-related service providers, Zhao Dan and the Investor, for the purposes of securing additional financial resources and services that were expected to support the Group's operations, expand its business scope and improve its prospects and competitiveness, including but not limited to, upgrading and developing theme parks' software, customers rewards systems, blockchain technologies, e-commerce platforms and digital collection platforms that can be incorporated into the Group's theme parks and multimedia animation derivatives businesses. These services (under the 2022/23 Bonds) are to cater for the development and establishment of the New Projects to maintain the attractiveness and competitiveness of the theme parks of the Group should the general operation environment recover from the Covid-19.

Project 1, to be referred as Meta-Joypolis, is a proposal to immerse the concepts of metaverse with the Group's theme parks to create a new type of theme park that integrates a greater array of digital entertainment offerings and incorporates online entertainment mechanisms, thus creating a new offline-to-online paradigm. Project 1 requires development of applications which involves coding-related skills, smart contracts, theme park visual design etc. and most of the services for such development are currently provided by Zing.

Project 2, to be referred as E-Commerce Shop, is a proposal to develop an e-commerce platform for the Group to operate its multimedia animation entertainment and trading of derivatives business. Project 2 requires development of websites and applications etc. and most of the services for such development are currently provided by Bun Tsubomi.

Project 3, to be referred as a project to upgrade Wonder Forest, is a proposal about adopting innovative and creative technologies to upgrade the software and hardware of Wonder Forest. Project 3 requires development of applications which involves coding-related skills, smart contracts, digital and AR/VR technologies etc. and most of the services for such development are currently provided by Zing.

Project 4, to be referred as Play-to-Earn and Learn-to-Earn solutions, is a proposal to promote interactions through playing and learning in exchange for the different types of rewards and such solutions are expected to be adopted in all types of theme parks of the Group. Project 4

requires development of applications, websites and mini-programs that can be used by any smart devices, digital technologies and blockchain etc. and most of the services for such development are currently provided by Zing and Precedent Japan.

Project 5, to be referred as a project to upgrade Joypolis, is a proposal to focus on enhancement of the value of the brand name “Joypolis” and the Group through upgrading software, operation efficiencies and the general visual identities of the Group. Project 5 requires business software development, big-data collection, visual identities and branding enhancement proposals etc. and most of the services for such developments are currently provided by Zing, Bun Tsubomi and SZ Tianquan.

Project 6, to be referred as a project that focuses on digital collectibles, is a proposal to develop series of animation- and IP-derived collectibles (i.e. pop toys or tokens) for the Group’s commercial uses. Project 6 will make uses of the Group’s IPs (or purchase IPs from other IP developers), new-media advertisement and will apply Web3.0-related technologies such as smart contracts, digital technologies, blockchain and crypto-exchanges etc. and most of the services for such developments are currently provided by Precedent Japan.

Project 7, to be referred as a project relating to the development of a Virtual-land, will base on Web3.0-related applications and technologies, to develop customized solutions for the Group to create different types of entertainment on the internet/virtual-land. Project 7 requires similar technologies as Project 6 and most of the services for such developments are currently provided by Precedent Japan.

The Service Providers, among the holders of the 2022/23 Bonds, are considered by the Directors to possess of the required expertise and technologies in providing their respective services to improve the Group’s businesses and their information are as follows,

- Zing, beneficially owned by Atsushi Hiramatsu, is a company incorporated in Japan since January 2010. It engages in the provision of animation content creation and production services. The Group acquainted Zing through its customer in Japan in 2010. It has previous collaboration experiences with the Group and is mainly appointed and responsible to create user interface and animation content, concept and visual designing, advertisement and theme park related and applicable software development for the Group. Having considered (i) its company background; (ii) its skills and experience related to software development; (iii) its knowledge towards the Group’s businesses and operations; (iv) its business operates in Japan (which is known to have high technology standards and is a place where one of the Group’s main theme parks located); (v) its

reputation; and (vi) upon meetings and discussions, the Group was satisfied on the software development related services it has been providing to its other customers, the Directors are of the view that this party is qualified and suitable to provide the subject services.

Zing is appointed to perform its services in Project 1, Project 3, Project 4 and Project 5 of the New Projects and the respective considerations for those services were mainly determined after considering the prevailing market rates after comparing two to three independent quotations of similar peers that considered to have possessed of similar standards of skills and knowledge that works in the IT-related and marketing related industries with good business network, market reputation and some knowledge and understanding of theme park operations.

- SZ Tianquan, beneficially owned by Bi Yongtao* (畢永濤), is a company incorporated in the PRC since December 2006. It engages in the development of internet-of-things applications and wholesale and retail of electric and water purification equipment businesses. The Group acquainted SZ Tianquan through, and as an internet-of-things solutions and big-data related service provider to, a sports entertainment theme park operator located in Shenzhen in May 2018. It has the resources in research and development in big data internet-of-things. It is mainly appointed and responsible to organize theme park customers' information to develop and establish of an information database platform and supply electric and water smart-machines to the Group's theme parks. Having considered (i) its company background; (ii) its skills and experience related to internet-of-things; (iii) its knowledge towards the Group's businesses and operations; (iv) the features of its smart-machines would fit the Group's theme parks; and (v) the positive feedbacks from its other customers, the Directors are of the view that this party is qualified and suitable to provide the subject services.

The reasons for the Group to install smart-water machines from SZ Tianquan in the theme parks are (i) to supply drinking water to customers; (ii) to motivate the customers to become members of the Group as these smart-water machines are linked up with the membership system on the mobile application designed by the Company where the Company has access to the data and information collected; and (iii) through collecting the members' views and opinions to understand customers' behaviors and/or levels of satisfaction towards the facilities in the parks etc. SZ Tianquan is appointed to facilitate the development of Project 5 of the New Project where it shall organize and analyze the members' information obtained after the park customers applied as members to exchange for drinking water from the smart-water machines. The information obtained from the members for instances, by way of scanning of an assigned QR code so that the relevant consumption records and facility usages in the park can be recorded in the

application and/or by way of answering to a satisfaction survey prepared by the Company to collect the members' comments and satisfaction levels on the facilities and services they have experienced, are considered to be valuable for the Directors to formulate better and more effective decisions for the Group's development. Moreover, in determining the considerations for the smart-water machines, the Directors have reviewed and considered and compared, among other things, the retail prices, functions and water processing capacity of other available water machines in the market at the material time.

- Bun Tsubomi, beneficially owned by Liu An* (劉安), is a company incorporated in Japan since December 2021. It engages in the provision of establishment and development of applications, software-as-a-service and web services. The Group acquainted Bun Tsubomi through, and as a software and system developing service provider to, its business partner in Shanghai Joypolis in October 2015. It is mainly appointed and responsible to develop theme park applicable membership system, websites, applications and other software programs for the Group. Having considered (i) its company background; (ii) its skills and experience related to the software-as-a-services solutions; (iii) its knowledge towards the Group's businesses and operations; (iv) it is responsive to the Group's requests; (v) its reputation; and (vi) upon meetings and discussions, the Group was satisfied on the software development and software-as-a-services related services it has been providing to its other customers, the Directors are of the view that this party is qualified and suitable to provide the subject services.

Bun Tsubomi is appointed to perform its services in Project 2 and Project 5 of the New Projects and the respective considerations for those services were mainly determined after considering the prevailing market rates after comparing two to three independent quotations of similar peers considered to have possessed of similar standards of skills and knowledge and after reviewing the samples of work they provided to the Group.

- Precedent Japan, beneficially owned by Sheng Shao* (邵晟), is a company incorporated in Japan since September 2018. It engages in the provision of consulting and developing customized applications, solutions and security systems to blockchain technologies related services. Precedent Japan was acquainted through two customers of the Group in January 2020 as a specialist in blockchain related services developer. It is mainly appointed and responsible for the development of blockchain related applications and games and the development of non-fungible token platform for the Group. Having considered (i) its company background; (ii) its skills and experience related to blockchain solutions; (iii) its knowledge towards the Group's businesses and operations; (iv) it is responsive to the Group's requests; (v) its reputation; and (vi) upon meetings

and discussions, the Group was satisfied on the blockchain related solutions it proposed which may allow the Group to incorporate innovative blockchain concepts to expand existing business scope, the Directors are of the view that this party is qualified and suitable to provide the subject services.

Precedent Japan is appointed to perform its services in Project 4, Project 6 and Project 7 of the New Projects and the respective considerations for those services were mainly determined after considering the prevailing market rates after comparing two to three independent quotations of similar peers considered to have possessed of similar standards of skills and knowledge in applications of Web3.0-related services with good market reputation and some knowledge and understanding of theme park operations.

Set out below a summary of the background of the contracts entered in relation to and the breakdown of the 2022/23 Bonds which illustrates that the Company issued (i) two investor's bonds to the Investor; (ii) the Zhao Dan's bond to Zhao Dan; (iii) the Zing Bond A and Zing Bond B to Zing; (iv) the SZT Bond to SZ Tianquan; (v) the BT Bond A and BT Bond B to Bun Tsubomi; and (vi) the PJ Bond A, PJ Bond B, PJ Bond C, PJ Bond D and PJ Bond E to Precedent Japan (details and description of these bonds are disclosed in the summary table under the sub-section headed "Summary of the 2022/23 Bonds" in this circular).

Name and

Contract Date <i>(note 1)</i>	Total consideration <i>(note 2)</i>	Payment terms (including initial due dates)
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Loans

The Investor

1/11/2022	HK\$20 million	Repay the Investor upon Completion
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The Company issued the Investor Bond A, a bond in the principal amount of HK\$20.00 million with 11.48% coupon rate on 1/11/2022, in exchange of the above loan from the Investor. The original maturity date of this bond was 1/7/2024, but the investor and the Company have agreed to extend its maturity date that will be eventually determined.

Name and Contract Date <i>(note 1)</i>	Total consideration <i>(note 2)</i>	Payment terms (including initial due dates)
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8/12/2022	HK\$5.00 million	Repay the Investor upon Completion
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The Company issued the Investor Bond B, a bond in the principal amount of HK\$5.00 million with 10.00% coupon rate on 8/12/2022, in exchange of the above loan from the Investor. The original maturity date of this bond was 7/12/2024, but the investor and the Company have agreed to extend its maturity date that will be eventually determined.

Zhao Dan

1/10/2021	HK\$9.51 million	Repayable on demand
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The Company was in need of financial resources as (i) some of its bonds began to mature in the second half of 2020 and the holders of these bonds were urging the Company to settle their payments; (ii) the Group was in a tight cash position as its businesses were affected and the returns from the investments business development were substantially lower than initially anticipated; and (iii) it had experienced difficulties in obtaining financial resources from other third parties including, but not limited to, other independent business partners and independent financial institutions. A credit line with no fixed repayment period and nil interests, intended for the Company to overcome short-term difficulties was provided by Zhao Dan who is a long time business partner of the Group and the registered shareholders of MEL (holds 50% of equity interests of MEL and holds the other 50% of equity interests of MEL on behalf of Chang Jiansong) a company that is owing the Company an outstanding service fee of HK\$39.40 million as at 31 March 2022, was utilized by the Company since 1 October 2021 to settle its expenses and debts that could not be extended and were past due or about to be due. The Company has drawn and utilized a total of HK\$9.51 million from the loan from Zhao Dan, which was initially expected to be for short term uses as the Company, at the material time, had been attempting to conduct various fund-raising activities and was having ongoing discussions with a few investors who showed interests in providing investments to support the Group's operations. However, the Group's financial position did not improve and the Group was unable to secure fundings as expected so it was unable to repay Zhao Dan within a short period as intended. It was then agreed with Zhao Dan, based on the Company's financial situation, that the Company would issue its bonds at nil interest (same as the loan) to Zhao Dan with a preliminary payment date to settle the amount of the loan used by the Company. As a result, the Company issued a bond in the principal amount of HK\$9.51 million with nil% coupon rate on 20/10/2022 to settle the debt due to Zhao Dan. The maturity date of this bond is 19/10/2024. This bond is transferred to China Sun Group Holding Limited and has been included into the Creditors' Scheme.

**Name and
Contract**

Date **Services to be provided and the consideration**
(Note 1) *(Note 2)*

Services Contracts

Zing

Date **Service descriptions**

8/5/2021[#] **(For the development of Project 4)**

1. Produce the animation contents, including to prepare proposals and complete the production of the relevant contents approved by the Company for Play-to-Earn and Learn-to-Earn solutions and applications
2. Develop the user interface designs of Play-to-Earn and Learn-to-Earn for applications, websites and mini-programs

Total consideration (approximately) and payment terms
US\$1.73 million

1st payment (this part of the service is completed and is currently settled under Zing Bond A and included into the Creditors' Scheme)

US\$1.54 million, to be made after the draft of the user interface designs for all platforms (i.e. application, website and mini-programs) and them being approved and accepted by the Company.

2nd payment (outstanding payables)

US\$0.19 million, to be made after completion of the animation content and user interface designs for all platforms after taking into the Company's requests and successful applying the services to the Group's operation.

**Name and
Contract**

Date

(Note 1)

Services to be provided and the consideration

(Note 2)

30/8/2021[#]

(For the development of Projects 1 and 3)

Create, plan and submit a proposal of PPSP Services for a number of projects relating to the indoor theme park which shall consist of (i) basic planning; (ii) content planning; (iii) project progress; and (iv) feasibility analysis

Total consideration (approximately) and payment terms

US\$2.89 million

1st payment (this part of the service is completed and is currently settled under Zing Bond A and included into the Creditors' Scheme)

US\$2.31 million, to be made after completion of the content planning of the PPSP Services and them being approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.58 million, to be made after completion of the remaining services under the PPSP Services.

6/9/2021[#]

(For the development of Projects 1, 3 and 5)

Design the visual identity system for the Group's indoor theme parks, including visual identity design conceptual plan, visual identity design project and visual identity brochure production

Total consideration (approximately) and payment terms

US\$0.62 million

1st payment (this part of the service is completed and is currently settled under Zing Bond A and included into the Creditors' Scheme)

US\$0.50 million, to be made after completion of the conceptual planning part of the visual identity system design and being approved and accepted by the Company.

**Name and
Contract**

Date

(Note 1)

Services to be provided and the consideration

(Note 2)

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.12 million, to be made after completion all parts of the visual identity system design and being approved and accepted by the Company.

4/10/2021

(For the development of Projects 5)

Enhance the brand value of “Joypolis”, including but not limited to (i) provide systematic market research for strategic planning and execution of brand cultivation, management and development; (ii) formulate brand positioning; (iii) formulate integrated communication strategy based on brand strategic planning; (iv) provide marketing events implementation plans and the corresponding creative works and production work; (v) conduct semi-annual reviews of the brand strategy and its marketing effectiveness; and (vi) provide suggestions for “Joypolis” brand development strategy and marketing strategy

Total consideration (approximately) and payment terms

US\$1.41 million (plus any reimbursements as and when incurred by Zing during advertising the Group’s theme parks including but not limited, exhibitions, lectures and interviews)

1st payment (this part of the service is completed and is currently settled under Zing Bond A and included into the Creditors’ Scheme)

US\$0.95 million (and reimbursement of US\$1.40 million), to be made within 7 working days after the first two quarters counting from the signing date of this agreement.

2nd payment (postponed and subject to further negotiations after Completion)

Zing ceased to provide such brand-promotion related services after the 1st payment was settled with the bonds of the Company so that the Company does not have to settle the 2nd payment. Zing and the Company expect to discuss whether they will resume such services after the Completion. If Zing did not cease the above services to the Company, the Company was supposed to pay approximately US\$0.46 million in the third quarter counting from the signing date of this agreement.

**Name and
Contract**

Date

(Note 1)

Services to be provided and the consideration

(Note 2)

22/6/2021[#]

(For the development of Project 1)

Provide customized indoor amusement park smart contract system development services, and to develop four system software with blockchain smart contract

- (i) Ticketing system;
- (ii) Customer Management System;
- (iii) Digital Guiding System; and
- (iv) Smart Reservation System.

Total consideration (approximately) and payment terms

US\$1.35 million

1st payment (this part of the service is completed and is currently settled under Zing Bond B and included into the Creditors' Scheme)

US\$1.08 million, to be made after completion of the development of the prototypes for the four system software and them being approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.27 million, to be made after completion of the smart contract system and delivery of all four system software and them being approved and accepted by the Company.

29/6/2021[#]

(For the development of Project 3)

**Name and
Contract**

Date
(Note 1)

Services to be provided and the consideration
(Note 2)

Customized the development of two system software applications for blockchain smart contract for Wonder Forest

- (i) Ticketing system management; and
- (ii) Customer management system.

Total consideration (approximately) and payment terms
US\$1.08 million

1st payment (this part of the service is completed and is currently settled under Zing Bond B and included into the Creditors' Scheme)

US\$0.86 million, to be made after completion of the development of prototypes for the smart contract system and them being approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.22 million, to be made after completion of the smart contract system and delivery of the two system software and them being approved and accepted by the Company.

**Name and
Contract**

Date

(Note 1)

Services to be provided and the consideration

(Note 2)

2/7/2021[#]

(For the development of Projects 1 and 3)

Customize and develop four system software applications for blockchain smart contracts

(i) Amusement Facility Data Connection System;

(ii) Children's Park Facility Data Connection System;

(iii) Indoor Park Player Interaction Front-end System; and

(iv) Children's Park Player Interaction Front-end System.

Total consideration (approximately) and payment terms

US\$2.38 million

1st payment (this part of the service is completed and is currently settled under Zing Bond B and included into the Creditors' Scheme)

US\$1.90 million, to be made after completion of the development of prototypes for the four system software and them being approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.48 million, to be made after completion and delivery of the four system software and them being approved and accepted by the Company.

**Name and
Contract**

Date

(Note 1)

Services to be provided and the consideration

(Note 2)

3/8/2021[#]

(For the development of Projects 1 and 3)

Provide digital interactive content for the Group in relation to (i) flash animation production; (ii) animation supervision; (iii) art supervision; (iv) flash special effect; (v) flash background production; and (vi) adaptation of digital interactive content and interactive equipment, etc.

Total consideration (approximately) and payment terms

US\$1.45 million

1st payment (this part of the service is completed and is currently settled under Zing Bond B and included into the Creditors' Scheme)

US\$1.16 million, to be made after completion of the proposal of the digital interactive content, approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.29 million, to be made after completion of the digital interactive content, approved and accepted by the Company.

**Name and
Contract**

Date **Services to be provided and the consideration**
(Note 1) (Note 2)

SZ Tianquan

Date **Service descriptions**

10/5/2022 **(For the development of Project 5)**

Supply and deliver the 154 smart-water machines ordered by the Group and will provide the relevant repairing and water quality monitoring services for the Group.

Total consideration (approximately) and status
HK\$4.99 million

The payment should be made by the Group within 7 days upon the delivery of the smart-water machines (currently settled under the SZT Bond A and included in the Creditors' Scheme)

The Group has been putting these smart-water machines into operation uses.

Bun Tsubomi

Date **Service descriptions**

5/7/2021[#] **(For the development of Project 5)**

Develop a membership system to be applied in the Group's existing (offline) and upcoming (online) operations.

Total consideration (approximately) and payment terms
US\$2.09 million

1st payment (this part of the service is completed and is currently settled under BT Bond A and included into the Creditors' Scheme)
US\$1.67 million, to be made after completion of the development of the prototype for the membership system and them being approved and accepted by the Company.

**Name and
Contract**

Date

(Note 1)

Services to be provided and the consideration

(Note 2)

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.42 million, to be made after completion of the testing of the membership system and the testing results being approved and accepted by the Company.

12/7/2021[#]

(For the development of Project 5)

Customize enterprise software development services including (i) to carry out a set of system prototyping, code development and system testing; and (ii) to provide free bug fixing services within 3 months from the date of signing of the corresponding test report confirmation forms.

Total consideration (approximately) and payment terms

US\$2.36 million

1st payment (this part of the service is completed and is currently settled under BT Bond A and included into the Creditors' Scheme)

US\$1.89 million, to be made after completion of the development of the prototypes for the software development and them being approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.47 million, to be made after completion of all testing software development and the testing results being approved and accepted by the Company.

**Name and
Contract**

Date

(Note 1)

Services to be provided and the consideration

(Note 2)

20/7/2021[#]

(For the development of Project 2)

Carry out customized development services of an application and mini-program for Project 2.

Total consideration (approximately) and payment terms

US\$2.79 million

1st payment (this part of the service is completed and is currently settled under BT Bond B and included into the Creditors' Scheme)

US\$2.23 million, to be made after completion of the development of the prototypes of the application and mini-program and them being approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.56 million, to be made after completion of the application and mini-program and the corresponding testing and the results being approved and accepted by the Company.

28/7/2021[#]

(For the development of Project 2)

Carry out customized development services of a website for Project 2.

Total consideration (approximately) and payment terms

US\$0.95 million

1st payment (this part of the service is completed and is currently settled under BT Bond B and included into the Creditors' Scheme)

US\$0.76 million, to be made after completion of the development of the prototype of the website and them being approved and accepted by the Company.

**Name and
Contract**

Date

(Note 1)

Services to be provided and the consideration

(Note 2)

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.19 million, to be made after completion of the website and the corresponding testing and the results being approved and accepted by the Company.

20/9/2021

(For the development of Project 2)

Develop brand promotion, planning and marketing services for Project 2.

Total consideration (approximately) and payment terms

US\$2.68 million

1st payment (this part of the service is completed and is currently settled under BT Bond B and included into the Creditors' Scheme)

US\$2.30 million, to be made after completion of the brand promotion planning work and brand visual identity design work and the results being approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.38 million, to be made after completion of the brand marketing communication work and taken the action set out in the brand promotion plan and submitted the relevant report to the Company and the results being approved and accepted by the Company.

30/9/2021

(For the development of Project 2)

Commence its trendy toy hobby e-commerce brand in a number of new media platforms matrix content promotion, operation and its e-commerce brand in the community maintenance, operation of services and other related matters.

Total consideration (approximately) and payment terms

US\$1.95 million

**Name and
Contract**

Date

(Note 1)

Services to be provided and the consideration

(Note 2)

1st payment (this part of the service is completed and is currently settled under BT Bond B and included into the Creditors' Scheme)

US\$1.41 million, to be made after completion and submission of the planning for new media agency operation and community agency operation to the Company and them being approved and accepted by the Company.

2nd payment (postponed and subject to further negotiations after Completion)

Bun Tsubomi ceased to provide such marketing related services after the 1st payment was settled with the bonds of the Company so that the Company does not have to settle the 2nd payment. Bun Tsubomi and the Company expect to discuss whether they will resume such services after the Completion. If Bun Tsubomi did not cease the above services to the Company, the Company was supposed to pay approximately US\$0.54 million in the third quarter counting from the signing date of this agreement.

Precedent Japan

Date

Service descriptions

9/6/2021[#]

(Refer to Project 4)

Complete the development of "Play-to-Earn" and to be adopted in application, mini-program and website in accordance with the Company's needs and applying the Company's required technical standards

Total consideration (approximately) and payment terms

US\$2.40 million

1st payment (this part of the service is completed and is currently settled under PJ Bond A and included into the Creditors' Scheme)

US\$1.92 million, to be made after completion of the prototype work for all system/platform and them being approved and accepted by the Company.

**Name and
Contract**

Date

(Note 1)

Services to be provided and the consideration

(Note 2)

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.36 million, to be made after all systems are online and delivered.

3rd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.36 million, to be made after all systems are approved and accepted by the Company.

16/6/2021[#]

(Refer to Project 4)

Complete the development of “Learn-to-Earn” and to be adopted in application, mini-program and website in accordance with the Company’s needs and applying the Company’s required technical standards

Total consideration (approximately) and payment terms

US\$2.10 million

1st payment (this part of the service is completed and is currently settled under PJ Bond A and included into the Creditors’ Scheme)

US\$1.68 million, to be made after completion of the prototype work for all system/platform and them being approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.32 million, to be made after all systems are online and delivered.

3rd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.10 million, to be made after all systems are approved and accepted by the Company.

**Name and
Contract**

Date

(Note 1)

Services to be provided and the consideration

(Note 2)

24/6/2021[#]

(For the development of Project 7)

- (1) Perform secondary designs and creations from the IP of the “Virtual-land” blockchain game developed by the Company;
- (2) Create digital collections for the Company by applying the technology based on the consortium blockchain. Precedent Japan shall ensure that the digital collections are unique, original and meet the needs of the Company;
- (3) Introduce not less than five digital collection distribution platforms for the Company choose from for the distribution and promotion its digital collection; and
- (4) Provide professional recommendations to assist the Company in selecting the most appropriate distribution platform and assist the Company in the relevant negotiations with the selected distribution platform in entering cooperation agreement(s).

Total consideration (approximately) and payment terms

US\$0.56 million

1st payment (this part of the service is completed and is currently settled under PJ Bond B and included into the Creditors’ Scheme)

US\$0.46 million, to be made after completion of the creation outline, schedule, character images and preliminary digital collection designs and them being approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.05 million, to be made after completion of the technical development, testing and modifications of the digital collection and them being approved and accepted by the Company.

**Name and
Contract**

Date

(Note 1)

Services to be provided and the consideration

(Note 2)

3rd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.06 million, to be made after the delivery of the finalized digital collection to the Company and the introduction of not less than five digital collection distribution platforms with their detailed information to the Company.

25/6/2021[#]

(For the development of Project 7)

Develop games with blockchain technology in accordance with requirements and specifications agreed by the Company and Precedent Japan which that feature innovative form of blockchain technology such as decentralization, transparency, real ownership of user assets and verifiability, etc. Precedent Japan is required to maintain close communication and co-operation with the Company to report development progress and resolve problems in a timely manner throughout the entire game development process.

The specific process of game development includes, but is not limited to, (i) game planning stage; (ii) game design stage; (iii) programming stage; (iv) art design stage; (v) sound production stage; and (vi) testing and optimization stage and game delivery stage.

Total consideration (approximately) and payment terms

US\$3.50 million

1st payment (this part of the service is completed and is currently settled under PJ Bond B and included into the Creditors' Scheme)

US\$2.10 million, to be made after delivery of the concept note of the proposed game that include, among others, planning proposal, game programming code and blockchain integration documentations and them being approved and accepted by the Company. Acceptance of the above deliverables by the Company shall mean that Precedent Japan has completed the work in the game planning stage, game design stage and programming stage.

**Name and
Contract**

Date

(Note 1)

Services to be provided and the consideration

(Note 2)

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.70 million, to be made after delivery of the character design and scene design, game interface design and sound files and them being approved and accepted by the Company. Acceptance of the above deliverables by the Company shall mean that Precedent Japan has completed the work in the art design stage and the sound production stage.

3rd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.70 million, to be made after the delivery of the optimization report, final version of the game, game launch guide and technical supporting documents and them being approved and accepted by the Company. Acceptance of the above deliverables by the Company shall mean that Precedent Japan has completed the work in the testing and optimization stage and game delivery stage.

12/8/2021[#]

(For the development of Project 7)

By applying the technical standards required by the Company, perform the first phase of development and production of virtual Joypolis applicable on computers and the first phrase of the Joypolis VR game blockchain application development and production.

Total consideration (approximately) and payment terms

US\$2.39 million

1st payment (this part of the service is completed and is currently settled under PJ Bond C and included into the Creditors' Scheme)

US\$1.91 million, to be made after the completion of the prototypes work of all systems and them being approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.36 million, to be made after all systems are fully-developed, can be launched online and are ready for use.

**Name and
Contract**

Date

(Note 1)

Services to be provided and the consideration

(Note 2)

3rd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.12 million, to be made after all the systems have been approved and accepted by the Company.

20/8/2021[#]

(For the development of Project 6)

Plan and operate a series of IP digital collection projects including the following services,

- (i) Market research, style positioning, project planning, development strategy planning and other related services to the Company; and
- (ii) Carry out the main operation of the project for the Company, including promotion, social media maintenance, sales and distribution, and other operational services related to the digitalization of the IP into digital collection for trading.

Total consideration (approximately) and payment terms

US\$0.69 million (plus a quarterly service fee that comprise of (i) an operation service fee; and (ii) percentage-share of sales proceeds)

1st payment (this part of the service is completed and is currently settled under PJ Bond D and included into the Creditors' Scheme)

US\$0.69 million, to be made after submitting a framework project plan based on market studies and them being approved and accepted by the Company.

**Name and
Contract**

Date

(Note 1)

Services to be provided and the consideration

(Note 2)

2nd payment (postponed and subject to further negotiations after Completion)

After the 1st payment is settled, it is expected that Precedent Japan will continue to work on project planning, refining the content and then submit the finalized project plan and the corresponding implementation plan for the project to the Company for its approval. Only after such approval and acceptances are obtained from the Company, Precedent Japan will commence the operations of the project on behalf of the Company and then the Company will have to make the 2nd payment. Since Precedent Japan ceased to perform further services after the 1st payment was settled with the bonds of the Company, the above-mentioned project plan and the implementation plan for the project have not been finalized or approved and that Precedent Japan could not execute the proposed plans and commenced such operations. Accordingly, the Company does not have to settle the 2nd payment and is expecting to conduct more discussions with Precedent Japan to resume such services after the Completion. If Precedent Japan did not cease its services and commenced operations on behalf of the Company, the Company was expected to pay the service fee to Precedent Japan on a quarterly basis (comprising (i) operation fee; and (ii) percentage-share of sales proceeds) until the expiry of this agreement (i.e. 20 August 2023). The Company and Precedent Japan agreed that Precedent Japan shall receive an operation service fee of US\$0.038 million plus an 8% of percentage-share from the sales proceeds in the first quarter under its operations. The remaining quarters (depending on when the relevant approvals were given by the Company so that the operation of the project could commence before the expiry of the agreement) will be further negotiated and to be determined by the parties with references to the results from the first quarter.

**Name and
Contract**

Date

(Note 1)

Services to be provided and the consideration

(Note 2)

10/9/2021[#]

(For the development of Project 6)

Perform the design work of secondary creations of the Company's IPs and digitalize such designs and develop them into digital collections.

Total consideration (approximately) and payment terms

US\$2.28 million

1st payment (this part of the service is completed and is currently settled under PJ Bond D and included into the Creditors' Scheme)

US\$1.82 million, to be made after the completion of the first draft of the proposal for IP secondary creation designs and the details within being approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.34 million, to be made after the completion of the codes development, the security check by third-party and the results being approved and accepted by the Company.

3rd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.12 million, to be made after the digital collections are issued to the market.

**Name and
Contract**

Date

(Note 1)

Services to be provided and the consideration

(Note 2)

13/9/2021[#]

(For the development of Project 7)

By applying the technical standards required by the Company, perform the first phase of development production of virtual trendy toy museum applicable on computers and mini-program for other smart devices.

Total consideration (approximately) and payment terms

US\$2.45 million

1st payment (this part of the service is completed and is currently settled under PJ Bond D and included into the Creditors' Scheme)

US\$1.96 million, to be made after the completion of the prototypes work of all systems and them being approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.37 million, to be made after all systems are fully-developed, can be launched online and are ready for use.

3rd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.12 million, to be made after all the systems have been approved and accepted by the Company.

27/9/2021[#]

(For the development of Project 6)

By applying the technical standards required by the Company, perform (i) design and technical development of the official website for digital collection issuance; (ii) customized development of the digital collectibles section of the membership system; (iii) blockchain wallet application technology development; and (iv) development and production of digital collectibles cloud storage system.

**Name and
Contract**

Date **Services to be provided and the consideration**
(Note 1) (Note 2)

Total consideration (approximately) and payment terms
US\$1.60 million

1st payment (this part of the service is completed and is currently settled under PJ Bond E and included into the Creditors' Scheme)

US\$1.28 million, to be made after the completion of the prototypes of the official digital collection distribution website and the digital collection section of the member system and them being approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.24 million, to be made after the prototypes are developed into systems, can be launched online and are ready for use.

3rd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.08 million, to be made after all the systems have been approved and accepted by the Company.

Notes:

1. The service fees arisen from these agreements labelled (“#”) in the table above have been recognised in the research and development expenses of the Group for the financial year ended 31 March 2023.
2. Except for the bonds issued to the Investor, all the bonds as listed in the table above do not involve in any cash inflow to the Company and were recognised under Bonds in the Company's consolidated financial statements.

As stated in the table above, some of the Service Providers have fulfilled certain stages of their respective services provided to the Company according to their respective contracts. Substantial parts of the payments were made in the earlier stages due to the fact that most of the time and values of the works to be performed, including but not limited to, the negotiating, planning, designing, developing, revising after trial-and-errors and incorporating Company's comments and suggestions were to be executed in the earlier stages and then once the details could be confirmed by the parties and then a proposal and/or draft could be provided to the Group for final confirmation before these providers were allowed to place them into uses. Accordingly, the Directors are of the view that the payment terms in the service contracts as stated in the table above are on normal commercial terms, fair and reasonable and in the interests of the Company

and the Shareholders as a whole. As at the Latest Practicable Date, the Company did not enter into any supplemental agreements with any of these service providers and there has been no change in the payment terms of these service agreements. Upon Completion, the Company will confirm with each of the service providers the timing and whether the remaining services for the New Projects will be required and the Company will settle the outstanding payments to these service providers after the relevant services for the New Projects are completed.

In early 2021, ACCP Global expressed its intention and interest to participate in the ACCP Subscription to the Company where ACCP Global would have subscribed for 86 million new Shares that would represent approximately 8.05% of the then issued share capital of the Company (i.e. as at the date of the ACCP Subscription Agreement) as enlarged by the allotment and issue of these new Shares. Therefore, before the entering into of the service agreements during June to August 2021 and May 2022, the Company has taken into account the funding resources to be raised by the potential subscription of the Shares by ACCP Global. Since the Company was not required to make immediate payment while the 1st installments of payment by the Company under these service contracts was scheduled to take place during or after year 2022, it was expected that such service fees could be covered from the proceeds of the ACCP Subscription in September 2021, should it be successful. According to these service agreements, the Group has to pay the total amount of approximately US\$43.97 million (equivalent to approximately HK\$342.97 million based on US\$1 = HK\$7.8) and approximately HK\$29.99 million (assuming all stages of service have been provided) and part of these service fees were intended to be settled by the funds that was expected to be raised from the proceeds of the ACCP Subscription in September 2021 (which was eventually unsuccessful as ACCP Global refused to pay the full consideration for the subscription of the Shares, the details of which are set out in the sub-section headed “10. Litigation” in appendix III of this circular). The remaining service fees were intended to be settled by internal operation cashflow and other investments that were expected to be provided by two to three other investors who showed interests and initiated discussions with the Group to participate in the development of New Projects. The Group expected to enter into these investment agreements following the completion of the ACCP Subscription and the amount of these investments could have settled the remaining service fees for the Group for the New Projects. However, these investment discussions were then ceased after the failure of the ACCP Subscription. Due to failure of the said subscription and having considered the Group’s financial position and to not affect its financial liquidity, the Company settled its payment obligations for the services that have already been performed with the 2022/23 Bonds in the amount of approximately HK\$284.49 million, terms of which are summarized in below,

Summary of the 2022/23 Bonds

2022/23 Bonds	Principal amount	Coupon rate	Issue date	Maturity	Repaid by the Company
Investor Bond A	HK\$20.00 million	11.48%	1/11/2022	to be determined	No
Investor Bond B	HK\$5.00 million	10.00%	8/12/2022	to be determined	No
Zhao Dan's bond	HK\$9.51 million	Nil%	20/10/2022	19/10/2024	No
Sub-total	HK\$34.51 million				
Zing Bond A	HK\$52.50 million	6%	5/5/2022	4/5/2023	No
Zing Bond B	HK\$39.20 million	1%	14/10/2022	13/10/2023	No
SZT Bond	HK\$4.99 million	5%	10/5/2022	9/5/2023	No
BT Bond A	HK\$27.50 million	6%	16/5/2022	15/5/2023	No
BT Bond B	HK\$52.55 million	1%	3/10/2022	2/10/2023	No
PJ Bond A	HK\$28.00 million	1%	11/10/2022	10/10/2023	No
PJ Bond B	HK\$20.00 million	5%	16/5/2022	15/5/2023	No
PJ Bond C	HK\$14.80 million	1%	18/7/2022	17/7/2023	No
PJ Bond D	HK\$34.95 million	1%	7/10/2022	6/10/2023	No
PJ Bond E	HK\$10.00 million	1%	18/10/2022	17/10/2023	No
	HK\$				
Sub-total	284.49 million				

Save for the Investor Bonds, the 2022/23 Bonds have all reached their maturity dates, and the Group has not repaid or settled any portion of the principal or interest due thereunder. The aggregate outstanding principal amount of the 2022/23 Bonds is approximately HK\$319.00 million and except for the Investor's Bonds, HK\$9.51 million of Zhao Dan's bond (transferred to China Sun Group Holding Limited) and approximately HK\$284.49 million of the bonds issued to Service Providers have been duly included as Claims under the Creditors' Scheme and are expected to be compromised and settled in accordance with the terms and distribution mechanism of the Creditors' Scheme, subject to the Creditors' Scheme becoming effective. Accordingly, save for the Investor's Bonds, there are not any extensions of the maturity dates or any redemption in relation to the 2022/23 Bonds.

The Company was given to notice that (i) Zhao Dan and Zing had transferred/disposed all of their respective bonds to China Sun Group Holding Limited, Mr. Wong Yu Man James and Ms. Wong Lau Chui Chui Priscilla and Mr. Ho Chi Ping so were not included in the Creditors' Scheme as Creditors; (ii) Bun Tsubomi and Precedent Japan had transferred/disposed part of their respective bonds to China Sun Group Holding Limited, Ms. Chow Wai Man Grace, Mr. Wong Yu Man James and Ms. Wong Lau Chui Chui Priscilla and Mr. Ho Chi Ping, and to the extent of the

remaining bonds holding by them, they remained to be included in the Creditors' Scheme as Creditors; and (iii) SZ Tianquan did not transfer/dispose its bond and so it is included in the Creditors' Scheme as Creditors. Please also refer to the sub-section headed "The Scheme's Special Deal" for more information of the amounts of the 2022/23 Bonds transferred/disposed.

The services that were agreed to be provided by the Service Providers have been placed on hold due to the Group's inability to effect settlements under the 2022/23 Bonds. In light of the Group's ongoing restructuring efforts and the anticipating the successful implementation of the Creditors' Scheme, a mutual understanding has been reached by the Group and the Service Providers for potential resumption and completion of the remaining services upon Completion (i.e. the Group's financial position and operational performance have recovered sufficiently to support such resumption of services). The completion of the services would allow the Group to continue on services that expected to be beneficial to the Group's focus in developing and expanding in its theme parks, trading of animation derivatives businesses and its new virtual online entertainment business with strong growing potential, thus, are in the interests of the Company and the Shareholders as a whole.

As at the date of the respective contracts were entered and as at the Latest Practicable Date, save for the Investor each of the 2022/23 Bonds Holders is a (i) third party independent of the Investor, the Company and its connected persons; and (ii) do not have any other relationships with the Company, its connected person and their associates.

6.3 Other factors that further deteriorated the Group's financial condition

The failure of the ACCP Subscription

As stated in the Company's announcements dated 1 September 2021 and 8 December 2021, among other matters, (i) the ACCP Subscription Agreement was entered into between the Company and ACCP Global on 1 September 2021 whereby ACCP Global agreed to provide a total consideration of HK\$215 million to the Company as set out in under the terms of the ACCP Subscription Agreement; and (ii) the ACCP Subscription was ultimately cancelled as ACCP Global did not fulfill its payment obligations to the Company according to the terms set out under the ACCP Subscription Agreement; (iii) through a "Call-and Forfeiture" procedure, the subscription shares issued and allotted under the ACCP Subscription were cancelled by the Company on 28 December 2021; and (iv) on 6 October 2021, the Company noted that the closing prices of the Shares had fallen significantly from HK\$2.60 to HK\$0.61, representing a drop of approximately 76.50% on a single trading day.

Following the above, the Company noted that its public perception had been negatively affected and it had experienced more difficulties and challenges in conducting its financing for operations. For instance, the Company was forced into a less favorable position in its negotiations and then consumed more time and costs and/or been offered higher interest rates in seeking for external financial resources to sustain the Group's operations and expenses as (i) banks and investors are less interested to provide loans to the Company such that more time are required to negotiate and the terms (including the interest) of such loans are less favorable; (ii) low participation rates by the public when the Company was conducting equity debt financing activities; and (iii) the Company would then have to issue more Shares (resulted from a lower issue price due to the drop in the Share price and the Company's condition) to raise money should potential investors are successfully identified.

Received statutory demands from certain Creditors

In addition to the above, the Company has received statutory demands from certain Creditors against the Company's outstanding debts from time to time and that winding-up petitions have also been filed by some of these Creditors against the Company, namely, Ms. Wu Hanrong, Maxx Capital, Ms. Sun Ying, Ms. Zou Sailan, Ms. Chen Tengfang and China Sun Group Holdings Limited, including but not limited to, that on 30 January 2023, two Creditors with indebtedness owed by the Company in the respective amount of HK\$11,692,523.95 and HK\$5,896,794.52 as joint petitioners filed a winding-up petition against the Company. The hearing of the winding-up petition dated 17 July 2023 was vacated as the Creditors Scheme had been approved by the regulate majorities of the Creditors. Whereas Maxx Capital's petition was no longer valid as it entered into an agreement with Mr. Lam that resulted in the Assignment and a deed of mutual release with the Company to, among other matters, dismiss or discontinue all court actions against the Company. Mr. Lam and the Company also entered the Deed of Settlement, pursuant to which, among other matters, Mr. Lam has agreed that the debts owed by the Group to him will be multiplied by the rate of recovery to the Creditors in accordance to the Creditors' Scheme. Please refer to the section headed "11. THE DEED OF SETTLEMENT AND THE EXECUTION OF THE DEED OF MUTUAL RELEASE" in this circular for more information. In the absence of the Debt Restructuring, should the Company fail to repay the outstanding debts within the time given by the High Court, the Company will have to repay Mr. Lam the full amount of the Assigned Debt and the abovementioned Creditors may file a new winding-up petitions against the Company that lead to greater risk that the Company would be placed into insolvent liquidation. Thereafter, the Shares are expected to be suspended from trading and the listing status of the Company is expected to be removed from the Stock Exchange.

The Stock Exchange issued Resumption Guidance and ongoing liquidity challenges

The Shares was suspended from trading with effect on 9:00 a.m. on 21 November 2024 when officers of the Independent Commission Against Corruption attended the Company's principal place of business in Hong Kong to execute a search warrant in relation to certain suspected offences under the Prevention of Bribery Ordinance (Cap.201 of the Laws of Hong Kong) and the Crimes Ordinance (Cap. 200 of the Laws of Hong Kong). Subsequently, the Company has been notified that such investigation has been concluded and that no charges will be brought against the Company or any of the Directors, officers or employees in connection with the matter. Nevertheless, resumption conditions have been imposed by the Stock Exchange on the Company which requires the Company to satisfy all the resumption conditions before trading of the Shares can be resumed. Failure to do so may result in the continued suspension of trading in the Shares and, ultimately, the cancellation of its listing on the Main Board of the Stock Exchange. Please refer to the Company's announcements dated 28 January 2025 and 7 July 2025 for the details of the resumption guidance set out by the Stock Exchange for the resumption of trading in the Shares.

As at 31 March 2024, based on audited condensed consolidated statement of financial position, the Group recorded a total liability of approximately HK\$1,453.3 million. As at 31 March 2024, the Group recorded net current liabilities and net liabilities in the amount of approximately HK\$1,123.6 million and approximately HK\$1,045.3 million, respectively. The Group has faced severe liquidity challenges and required urgent financial assistance to support its operation and turnaround its financial position. In order to restructure the financial position of the Group, the Company has been attempting to raise capital through debts, but has been experiencing extreme difficulties to seek for fund sources with the Group's high level of loans and borrowings and the high gearing ratios of approximately 195.6% as at 31 March 2023 and approximately 258.7% as at 31 March 2024. Given the circumstances, considering that the Group fail to seek new substantial size funds to enhance its financial position, the Group would likely be placed into insolvent liquidation.

Supported by funding from the Investor, the Group's business has shown gradual recovery over time. For the year ended 31 March 2025, the Group maintained revenue at approximately HK\$366.9 million, broadly in line with HK\$364.0 million recorded for the year ended 31 March 2024. More significantly, the loss attributable to owners of the Company narrowed substantially to HK\$34.97 million for the year ended 31 March 2025, compared with approximately HK\$161.20 million in the prior year.

Notwithstanding this encouraging improvement in operating performance, the Group continues to face considerable challenges. In particular:

- (i) the Group remains subject to winding-up petitions in the absence of Completion;

- (ii) substantial ongoing expenses have been incurred since the preparation of the Creditors' Scheme and the Proposed Restructuring, including ongoing operational costs to maintain its business, legal fees and other professional advisory fees directly and indirectly related to the Proposed Restructuring;
- (iii) the listing status of the Shares remain suspended from trading pending full satisfaction of the resumption guidance imposed by the Stock Exchange; and
- (iv) with the majority of the Group's project developments on hold, the existing financial position severely limits the Company's ability to secure external funding of a material size on acceptable terms or to implement alternative solutions capable of restoring the Group's financial stability.

Following the execution of the Subscription Agreements, after the sanction of the Creditors' Scheme on 19 March 2024 and up to the Latest Practicable Date, the Group continued to actively identify alternative funding sources, including seeking loan facilities from other parties other than the Investor. Notwithstanding such efforts, no favorable responses were initially received. The Group approached a total of eight potential lenders, of which only four parties — some of whom were referred by the Investor — expressed willingness to provide short term financial assistance amounting to approximately HK\$64.74 million.

As at 30 September 2025, the Group recorded current assets of HK\$121.68 million, including bank and cash balances of HK\$12.96 million, yet continued to report net current liabilities of HK\$1,239 million. Total liabilities stood at approximately HK\$1,573.69 million, of which HK\$1,360.84 million were current liabilities primarily comprising HK\$722.09 million of bonds payable and HK\$397.49 million of other payables and accruals. Consequently, the Group remained in a net liabilities position of approximately HK\$1,160.68 million.

In light of the abovementioned liquidity challenges faced by the Group and the Company and the failure of the Company in obtaining new funding through debts, the Group and the Company consider that a holistic restructuring was essential to turn around the its business and financial position.

With reference to Appendix II of this circular, based on the unaudited pro forma consolidated statement of assets and liabilities of the Group as at 30 September 2025, the Group's current assets would increase from approximately HK\$121.7 million to approximately HK\$179.6 million upon Completion, and its current liabilities would reduce from approximately HK\$1,354.4 million to approximately HK\$178.9 million upon Completion, primarily as a result of the implementation of the Creditors' Scheme and Special Deals and the extensions on certain borrowings and interest payables, subject to the Completion. Of the Group's current liabilities of approximately HK\$178.9

million, approximately (i) HK\$14.6 million represents contract liabilities arising from licensing income received in-advance, which are non-cash in nature as the Group remains obligated to satisfy the related performance obligations over time; and (ii) HK\$25.1 million of the HK\$25.6 million represents tax disputes with the relevant tax authorities and pending resolution, which may take up to two years or more based on the opinion of the Group's tax adviser. The HK\$49.2 million in bank and other borrowings under current liabilities comprises amounts borrowed from four lenders that have become due. In the course of discussions between the Company and these lenders, they have indicated that they will take into account the Group's circumstances when considering whether to grant extensions and that they will not demand repayment so long as the Company continues to implement the Proposed Restructuring. The HK\$68.4 million of other payables and accruals under current liabilities comprises (i) approximately HK\$37.8 million arising from recurring operating expenses, which considers maintainable as these have historically been covered by operation revenue; (ii) approximately HK\$15.7 million of interests accrued from borrowings, which are negotiable and may be extended, subject to Completion; (iii) approximately HK\$4.0 million of payables and accruals in respect of outstanding directors' fee due to former directors, who have verbally indicated that they will not demand payment of such fees from the Group after resigning; and (iv) HK\$1.9 million relating to a claim against the Company as described in the sub-section headed "C. Claim from a service provider" under "10. Litigation" in Appendix III of the Circular, which is currently undergoing legal proceedings. The Board confirms that the Group does not intend to conduct any equity fundraising activities within the next 12 months. Having regard to the Proposed Restructuring, the aforesaid extensions subject to Completion, and the expected recovery in performance from the Group's business operations, the Group expects that the remaining current liabilities will be settled from its current assets, which principally comprise trade receivables arising from its continuing licensing business, prepayments that are expected to be realized shortly after delivery and subsequent sales of goods and available internal resources. On this basis, the Group considers that it has sufficient current assets to meet its current liabilities with most of its liabilities are not expected to fall due for settlement within the next twelve months and thus is not subject to any risks of working capital shortage. In respect of the Group's non-current liabilities, (i) HK\$111.6 million, representing the value of the Convertible Bonds, are expected to be released upon exercise by the Investor and do not require cash outflow; (ii) HK\$94.8 million of lease liabilities, which represent future rental payments under leases with the terms spanning multiple years, will be reduced gradually as the Company makes the relevant rental payments; (iii) of HK\$86.3 million of bank and other borrowings, approximately HK\$18.8 million are secured loans of which approximately HK\$9.1 million can be extended when become due, approximately HK\$9.7 million will not become due before April 2028 and approximately HK\$34.3 million are unsecured loans obtained from financial institutions in Japan which have not become due and installments of which have been paid on schedule using the revenue generated by a subsidiary of the Group in Japan; (iv) approximately HK\$33.2 million of bank and other borrowings are subject to further extensions agreed by their lenders, providing the Group with additional time to repay such loans (if needed), subject to the Company successfully

resuming the trading of the Shares; and (v) HK\$28.0 million of contract liabilities relate to licensing income received in-advance and will be released and recognized as revenue of the Group as the related services are delivered. Thus, a substantial part of the Group's non-current liabilities does not require immediate cash outflow and is either expected to be settled over time through internally generated resources or may be extended subject to the Group's development and circumstances. Taking into account the expected improvement in the Group's financial position, as well as the anticipated enhancement in investors' confidence and business performance following Completion, the Board believes that the Group will, among other benefits, be able to negotiate more favorable extension terms and/or have sufficient financial resources, whether generated internally or obtained externally, to meet its long-term liabilities as and when they fall due.

The Directors are of the view that the Proposed Restructuring and the transactions contemplated thereunder, in particular, the investment of new funding under the Subscriptions will provide the Group with the necessary funding to conduct a holistic restructuring by way of a Creditors' Scheme. It is expected that with the residual amount of the proceeds from the Subscriptions which will be used as additional working capital of the Company, the Group's businesses will be improved and stabilised.

Given the financial condition of the Group, the Investor has provided, including (i) the Investor Bonds; and (ii) the Investor Loan to the Group serving as rescue funding to settle professional parties fee. As at the Latest Practicable Date, the Investor Loan in the total amount of HK\$25 million has been fully drawn down by the Company. In addition to the above, the Investor has indicated to the Company that the Company may, with prior consent of the Investor, withdraw from the Escrowed Consideration prior to the Completion to support the Group's business when necessary. The abovementioned financial assistance provided by the Investor, including, the Investor Bonds, the Investor Loan and any amount to be drawn from the Escrowed Consideration by the Group will be counted towards to set-off the consideration of the Subscriptions for the Investor upon Completion. As at the Latest Practicable Date, no withdrawal has been made from the Escrowed Consideration. If the Proposed Restructuring (including the Subscriptions) is voted down by the Shareholders, the transactions contemplated under the Proposed Restructuring would not proceed such that the Creditors' Scheme would become ineffective, and the Company would be unable to utilize the proceeds from the Subscriptions to repay its liabilities. In such circumstances, the Company would need to secure alternative financial resources in a timely manner to meet its overdue obligations and other obligations as they fall due, including but not limited to, repaying the Creditors, the Investor and Mr. Lam. Failure to do so could result in presentation and successful pursuit of new winding-up petitions (against the Company and/or its key subsidiaries after failure of the Creditors' Scheme), leading to the commencement of winding-up proceedings. In that event, Shareholders would likely receive little to no return on their investments. Moreover, if these developments cause the Company to be unable to satisfy the continuing listing requirements under the Listing Rules, the Stock Exchange may exercise its discretion to cancel the

Company's listing that would significantly impair the Company's access to capital markets, further aggravate its funding difficulties, and materially diminish the prospects for any viable restructuring or turnaround.

7. INFORMATION ON THE INVESTOR

The Investor is a company incorporated under the laws of Japan and is principally engaged in (i) real estate related businesses including but not limited to, urban development, properties construction, brokering, real estate valuation and properties management; and (ii) financial related services including but not limited to, trading of securities, asset management and selling of financial products. The Investor is a diversified conglomerate established for over 25 years with over 20 subsidiaries covering a wide range of business activities in Japan, including but not limited to, real estate development, urban development and hotels and theme parks management. The Investor shown interests and is optimistic about the Company's existing theme parks operations in Japan. The Investor has indicated its interests in investing in the Company and to work with the Group having considered (i) the operation history and business network of the Group; (ii) its optimistic view in the prospect of "Joypolis" theme-park; (iii) the talents of the Group and experience in theme-parks operations; and (iv) the above-mentioned reasons may create positive synergies to the Investor's existing entertainment-related businesses. In September 2022, the Board, led by Mr. Chong Heung Chung Jason, through Mr. Tang To Wong, its then operational consultant, met with a representative of Union Business Platform Group, a Dubai-based financial services company, at a networking event and explored potential cooperation opportunities with the Group. After understanding the Group's background and financial situation, the representative of the Union Business Platform Group considered that one of its business partners, being the Investor, may have interests in working with the Group and therefore, introduced Dr. Hiroshi Kaneko, being a member of the senior management of the Investor, to the Group. The Investor had been introduced to the Group in mid-September 2022. After various discussions between the Investor and the Group throughout mid-September 2022 to the end of 2022, the parties have come into mutual agreement on the terms and conditions as set out in the Term Sheet. As the Group is in need of financial resources to support its current operations and potentially in risk of winding up, it has been agreed by the Investor has agreed to provide initial fundings to the Group in facilitating the transactions set out under the Term Sheet and hence, the Parties have agreed to enter into the Term Sheet prior to the execution of the Subscription Agreements. The Company is given to understand by the Investor that the Investor is intended to, by utilising its experience and business networks, enrich the operations of the theme parks and expand the operations to other parts of Asia and the world. The Investor is beneficially wholly-owned by Mr. Kenichi, who is also the president and representative director of the Investor. To the best knowledge of the Company, the Investor and the parties acting in concert with it are Independent Third Parties.

As at the Latest Practicable Date, the directors of the Investor are Mr. Kenichi, Dr. Hiroshi Kaneko, Mr. Takahiro Haga and Mr. Kuniaki Yanase.

7.1 Background information of the directors of the Investor

Mr. Kenichi

Mr. Kenichi has extensive experience in the field of real estate and investment. He is currently the chairman and chief executive officer of the Investor and is responsible for overseeing its daily operation and strategic planning.

Prior to joining the Investor, he founded Toshisouken Invest-Bank Co.* (都市綜研インベストバンク株式会社) and has been serving as its chairman since October 2007, primarily responsible for new business development and operations, as well as overseeing the real estate business in general. Mr. Kenichi also founded Toshisouken Invest-Fund Co.* (都市綜研インベストファンド株式会社) and has been serving as its chairman since April 2010, and is primarily responsible for the management and operation of the real estate fund.

During the period from 24 October 2023 to 30 November 2023, Mr. Kenichi was the non-executive director and chairman of Japan Kyosei Group Company Limited (stock code: 627), the shares of which are listed on the Stock Exchange and during the period from 20 November 2021 to 4 October 2023, he was the non-executive director of Hong Wei (Asia) Holdings Company Limited (stock code: 8191), the shares of which are listed on GEM of the Stock Exchange.

Dr. Hiroshi Kaneko (formerly known as Jin Song)

Dr. Hiroshi Kaneko has received a Master of Engineering from Dalian University of Technology in 1989 and a doctoral degree in Engineering from the Department of the Advanced Interdisciplinary Studies from University of Tokyo in 1997. He has extensive research experience in the field of environment, development and economic science in Japan, China and Northern America. He has been engaged in comprehensive utilisation of environmental friendly materials and international trade.

He is currently the managing director and chief financial officer of the Investor and is mainly responsible for overseeing the capital operations and financial aspects of new business development. As at the Latest Practicable Date, Dr. Kaneko is (i) the executive director and the chief executive officer of Rongzun International Holdings Group Limited (formerly known as B & D Strategic Holdings Limited) (stock code: 1780); and (ii) the executive director and the chief executive officer of Japan Kyosei Group Company Limited (formerly known as Fullsun International Holdings Group Co., Limited) (stock code: 627). During the period from 20

November 2021 to 4 October 2023, Dr. Hiroshi Kaneko was the executive director of Hong Wei (Asia) Holdings Company Limited (stock code: 8191), the shares of which are listed on GEM of the Stock Exchange.

Mr. Haga Takahiro

Mr. Haga Takahiro was graduated from O-hara College of Accounting in Japan and has over 34 years of experience in the fields of auditing and accounting having worked for various enterprises in Japan. He was appointed as a director of the Investor since 4 January 2012.

Mr. Kuniaki Yanase

Mr. Kuniaki Yanase has over 11 years of experience in the fields of marketing and real estate in Japan having worked for various enterprises in Japan and be responsible for, including but not limited to, overall marketing strategy, branding, advertising and promotion tactics for real estate investment products and transactions. He was appointed as a director of the Investor since 1 November 2017.

7.2 Intention of Investor in relation to the Group

It is the intention of the Investor to continue the existing businesses of the Group and has no intention to put forward any major changes to the businesses of the Group after the Completion. As at the Latest Practicable Date, the Investor has not entered and does not intend to enter into any agreement, arrangements, understanding (i) to acquire and/or develop any new business nor (ii) to dispose of or downsize the existing businesses and/or material operating assets, of the Group unless appropriate opportunities arise. The Investor will continue to review the operations of the Group from time to time in order to enhance a long-term growth potential for the Group and explore other business or investment opportunities for enhancing its future development and strengthening its revenue base. Subject to the result of the review, the Investor may explore other business opportunities for the Company and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company. Should such corporation actions materialize, further announcement(s) will be made in accordance with the Listing Rules.

Proposed changes to the Board composition

As at the Latest Practicable Date, the Board comprises two executive Directors and three independent non-executive Directors.

The Investor intends to nominate Dr. Hiroshi Kaneko as an executive Director upon Completion. Such appointment of Director nominated by the Investor and any changes to the members of the Board will be made in compliance with the Takeovers Codes and/or the Listing Rules and further announcement(s) will be made as and when appropriate.

It is expected that, upon Completion Dr. Hiroshi Kaneko will primarily be responsible for overseeing the Group's overall business operations and the formulation of its business and strategic development. Mr. Chong Heung Chung Jason, having regard to his experience in the theme park and toy industries, will continue to assist in monitoring the Group's overall operations and Ms. Liu Moxiang will primarily focus on the implementation of strategies and the management of the Group's business in Japan.

Save for the Investor's intention regarding the Group as set out above, as at the Latest Practicable Date, the Investor (i) has not identified any potential candidate to be appointed as new director(s) to the Board; and (ii) has no intention to make changes to the management and discontinue any employment of the employees of the Group or to dispose of or re-allocate the Group's assets which are not in the ordinary and usual course of business of the Group.

Management of the Group upon Completion

It has been acknowledged that there shall be no change in the directors and members of the management of the following subsidiaries of the Company from the date of the Term Sheet, unless otherwise agreed:

- (a) China Animation Group Limited;
- (b) China Theme Park Limited;
- (c) Network China Technology Limited; and
- (d) Animate China Technology Limited.

The Investor considers that the above subsidiaries are currently some of the main subsidiaries of the Group and in its view, are with the highest profitability in foreseeable future. The Investor, therefore, considers that it will be essential for the Group to retain the existing management talents of these subsidiaries upon Completion to continue their operations for the Group.

8. EFFECT ON THE SHAREHOLDING STRUCTURES OF THE COMPANY

The table below illustrates the shareholding structures of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Capital Reorganisation having become effective; (iii) after the completion of the Subscriptions and assuming no Convertible Bonds are converted; (iv) after the completion of the Subscriptions and the issue of the Scheme Shares and assuming no Convertible Bonds are converted; and (v) after the Completion and assuming all Convertible Bonds are converted (for illustrative purposes only):

Shareholders	As at the Latest Practicable Date		Immediately after the Capital Reorganisation having become effective		After the completion of the Subscriptions and assuming no Convertible Bonds are converted		After the completion of the Subscriptions and the issue of the Scheme Shares and assuming no Convertible Bonds are converted (Note 9)		After the Completion and assuming all Convertible Bonds are converted	
	Existing Shares	%	New Shares	%	New Shares	%	New Shares	%	New Shares	%
The Investor and its concert parties										
<i>(Note 1)</i>										
The Investor	—	—	—	—	530,800,000	81.79	530,800,000	74.97	1,439,051,918	89.04
Bright Rise and its concert parties										
Bright Rise Enterprises Limited										
<i>(Note 2)</i>										
	134,538,000	11.38	13,453,800	11.38	—	—	—	—	—	—
Fortress Strength Limited <i>(Note 3)</i>	28,735,000	2.43	2,873,500	2.43	—	—	—	—	—	—
Bonville Glory Limited <i>(Note 4)</i>	12,900,000	1.09	1,290,000	1.09	1,290,000	0.20	1,290,000	0.18	1,290,000	0.08
East Jumbo Development Limited										
<i>(Note 5)</i>										
	12,329,000	1.04	1,232,900	1.04	1,232,900	0.19	1,232,900	0.17	1,232,900	0.08
Mr. Shinichiro Ikeda <i>(Note 6)</i>	12,000,000	1.02	1,200,000	1.02	1,200,000	0.18	1,200,000	0.17	1,200,000	0.07
Dragon Year Group Limited <i>(Note 6)</i>	49,497,000	4.19	4,949,700	4.19	4,949,700	0.76	4,949,700	0.70	4,949,700	0.31
Sub-total	249,999,000	21.15	24,999,900	21.15	24,999,900	3.85	24,999,900	3.53	24,999,900	1.55
Public Shareholders										
The SchemeCo	—	—	—	—	—	—	59,000,000	8.33	59,000,000	3.65
Other public Shareholders	932,043,000	78.85	93,204,300	78.85	109,531,600	16.88	109,531,600	15.47	109,531,600	6.78
Public float <i>(Note 7)</i>	932,043,000	78.85	93,204,300	78.85	109,531,600	16.88	168,531,600	23.86	168,531,600	10.43
Total	1,182,042,000	100	118,204,200	100	649,004,200	100	708,004,200	100	1,616,256,118	100

Notes:

1. *The figures are provided for illustrative purposes only. The terms of the Convertible Bonds will not permit conversion if immediately after such conversion, the public float of the Shares will fall below the minimum requirements of the Listing Rules from time to time.*

As at the Latest Practicable Date, none of the parties acting in concert with the Investor has any interest in the Shares, nor will have any interest in the Company under the arrangement of the Proposed Restructuring.

2. *Bright Rise Enterprises Limited is a company incorporated in the British Virgin Islands directly wholly-owned by Mr. Chong Heung Chung Jason, the chairman of the Board and an executive Director of the Company as at the Latest Practicable Date. Mr. Chong Heung Chung Jason is expected to remain as the Director and a connected person of the Company upon Completion. As at the Latest Practicable Date, all the Shares held by Bright Rise Enterprises Limited and Mr. Chong Heung Chung Jason have been pledged to lenders who are Independent Third Parties to secure the borrowings of the Company, Bright Rise Enterprises Limited and Mr. Chong Heung Chung Jason. The Investor and the Directors will ensure the continuous compliance by the Company with the 25% minimum public float requirement under Rule 8.08(1) of the Listing Rules before and after the Completion. Appropriate actions will be taken, including but not limited to, placing down of the Shares by the Investor to placee(s) who are Independent Third Parties not connected to the Company.*
3. *Ms. Lee Sui Fong Fiona, being the spouse of Mr. Chong Heung Chung Jason, is the sole beneficial owner of all issued shares of Fortress Strength Limited.*
4. *Mr. Ting Ka Fai Jeffrey is the sole beneficial owner of all issued shares of Bonville Glory Limited which is the registered and beneficial owner of 12,900,000 Shares.*
5. *Ms. Or Den Fung Bonnie is the sole beneficial owner of all issued shares of East Jumbo Development Limited which is the registered and beneficial owner of 12,329,000 Shares.*
6. *Mr. Shinichiro IKEDA has personal interest in the Company of 12,000,000 Shares and is the sole beneficial owner of all issued shares of Dragon Year Group Limited which is the registered and beneficial owner of 49,497,000 Shares.*
7. *With reference to the Company's announcement dated 25 September 2023, as a result of the termination deed dated 25 September 2023, the Shares that are holding by each of Bonville Glory Limited, East Jumbo Development Limited, Mr. Shinichiro Ikeda and Dragon Year Group Limited, with a total of (i) 86,726,000 Shares, representing approximately 7.34% of the issue share capital as at the Latest Practicable Date; and (ii) 8,672,600 New Shares, representing approximately 1.22% of the issued share capital after the completion of the Subscriptions and the issue of the Scheme Shares with no Convertible Bonds are converted, shall be counted into public float of the Company.*
8. *The aggregate public float for each of the scenarios but without taking into account the Shares, that are holding by the parties mentioned in note 7 above as illustrated in the table above.*
9. *Pursuant to the undertaking of the Company dated 10 April 2026, the Company shall not issue the Subscription Shares to the Investor at the time of Completion if the Company does not satisfy with the public float requirement under the Listing Rules.*

9. EQUITY FUND-RAISING ACTIVITIES OF THE COMPANY DURING THE PAST TWELVE MONTHS

The Company has not conducted any equity fund-raising activities in the 12 months immediately preceding the Latest Practicable Date.

10. MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1) of the Listing Rules, at least 25% of the Company's total issued share capital must at all times be held by the public.

Immediately after the Capital Reorganisation becoming effective and immediately after Completion, assuming that the Convertible Bonds are not converted into any CB Conversion Shares, the Investor will be interested in 530,800,000 New Shares, representing approximately 74.97% of the issued Share capital upon the Capital Reorganisation and as enlarged by the Subscription Shares and the Scheme Shares (assuming that there will be no change in the issued share capital of the Company from the Latest Practicable Date and up to Completion other than as a result of the Capital Reorganisation, the Share Subscription and the issue of the Scheme Shares).

In light of the above, both Bright Rise Enterprise Limited and Fortress Strength Limited have agreed to fully dispose of or otherwise reduce all of their respective interests in the Company by way of placing or other means to Independent Third Parties on date of the issuance of the Subscription Shares and the Scheme Shares, so that save for the 530,800,000 New Shares owned by the Investors, all the remaining Shares can be counted towards the public float, thereby enabling the Company to comply with the minimum 25% public float requirement under 8.08(1) of the Listing Rules. RaffAello Securities (HK) Limited has been engaged as the placing agent to place down the Shares of Bright Rise Enterprise Limited and Fortress Strength Limited on a fully underwritten basis. In addition, the Company has undertaken to the Stock Exchange that it shall issue the Subscription Shares to the Investor at the time of Completion only when the Company has satisfied with the public float requirement under the Listing Rules. Therefore, the Company will be able to satisfy the minimum public float requirement of 25% as set out in Rule 8.08(1)(a) of the Listing Rules.

The directors of the Investor have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares prior to and after Completion under Rule 8.08(1) of the Listing Rules.

11. THE DEED OF SETTLEMENT AND THE EXECUTION OF THE DEED OF MUTUAL RELEASE

Reference is made to the Settlement Announcement.

As set out in the Settlement Announcement, Maxx Capital had entered into an agreement with Mr. Lam in relation to the Assignment on 9 February 2024 and the consideration of the Assignment, i.e. HK\$8 million, was settled by Mr. Lam's own fund. Following the completion of the Assignment, Mr. Lam had replaced Maxx Capital as the ultimate beneficial owner of the Assigned Shares and the Assigned Debt. In light of the results of the Assignment, the Company had also entered into a deed of mutual release with Maxx Capital on 9 September 2024 and pursuant to which, the parties agreed, among other things, to take the necessary steps to dismiss or discontinue each other of and from all court actions and to withdraw the relevant absolute application with no order as to costs (or the order for each party to bear its own costs) in respect of the Legal Proceedings. Summary of the terms of the Deed of Mutual Release sets out below,

Maxx Capital confirms that,

- (i) Maxx Capital fully, unconditionally and permanently released and discharged the Company of and from all claims, demands and disputes in connection with the Legal Proceedings and/or arising from the relevant documents;
- (ii) Maxx Capital will not take any further step to pursue any claim against the Company and all other relevant persons and companies arising out of or in connection with the same or substantially the same facts in the Relevant Documents and/or the Legal Proceedings; and
- (iii) Maxx Capital will not enforce and/or take out any new action against the Company in respect of the Legal Proceedings.

The Company confirms that,

- (i) the Company fully, unconditionally and permanently released and discharged Maxx Capital of and from all claims, demands and disputes in connection with the Legal Proceedings and/or arising from the Relevant Documents;
- (ii) the Company will not take any further steps to pursue any claim against Maxx Capital arising out of or in connection with the same or substantially the same facts as set out in the Relevant Documents and/or the Legal Proceedings;

- (iii) the Company will not enforce and/or take out any new action against Maxx Capital in respect of the Relevant Documents and/or the Legal Proceedings; and
- (iv) the Company will not take any further step to execute or enforce the cost order made by the High Court dated 10 January 2023 and take all necessary steps to release, set aside and/or discharge the garnishee order nisi dated 27 February 2023 in relation to the cost order owed by Maxx Capital to the Company under the order of the High Court.

Execution of the Deed of Settlement

Having considered that the Company's current financial position and is in the process of executing the Debt Restructuring, on 9 September 2024, the Company and Mr. Lam entered into the Deed of Settlement, for the purpose of, among other matters, settle the Assigned Debt as both Mr. Lam and the Company agreed upon that it is impracticable for the Company to settle the full outstanding amount of the Assigned Debt. The Assigned Debt, based on the Company's calculation, including interests, is amounted to be approximately HK\$39.17 million as at 30 June 2024.

The 20,000,000 Assigned Shares being held by Mr. Lam (i) represent approximately 1.69% of the issued share capital of the Company as at the date of the Deed of Settlement; (ii) will represent approximately 0.308% of the issued share capital of the Company after adjusting for the effects of the Capital Reorganisation and the completion of the Subscriptions (assuming that no Convertible Bonds have been converted and no other changes in the issued share capital of the Company); and (iii) will represent approximately 0.124% of the issued share capital of the Company after adjusting for the effects of the Capital Reorganisation and the completion of the Subscriptions (assuming the issue of the Subscription Shares, the Scheme Shares and the CB Conversion Shares upon full conversion of the Convertible Bonds).

Pursuant to the Deed of Settlement, the Company has agreed to pay Mr. Lam, Mr. Lam's Settlement Sum, being an amount equivalent to the Assigned Debt multiplied by the rate of recovery to the Creditors, on a date within a reasonable period after the Scheme Administrator completing the distribution of the assets of the Creditors' Scheme after it taking effect. Mr. Lam agreed to enter into the Deed of Settlement because of the following reasons,

- (i) he sees upsides in helping the Company to avoid winding-up and delisting from the Stock Exchange as the Company is undergoing the Proposed Restructuring;

- (ii) upon the successful completion of the Proposed Restructuring, the Company's ongoing plans to develop its business in the theme park and animation derivative segments will gain traction in the recovering economy of the PRC and the Company's business will improve significantly which will in turn increase the value of the Assigned Shares;
- (iii) the value of the Assigned Shares and the Company's means to repay the Assigned Debt depreciates and diminishes if the Company would be wound up and/or delisted from the Stock Exchange and the haircut to the Assigned Debt will improve the Company's liquidity;
- (iv) he wishes to avoid engaging the Company in litigation for the recovery of the Assigned Debt as it will be costly and time-consuming; and
- (v) he anticipates the amount of Mr. Lam's Settlement Sum, upon determined, will be higher than the consideration he paid for the Assignment.

In exchange, Mr. Lam will fully discharge the Assigned Debt and to not take any legal action against the Company or other relevant persons and companies arising out of or in connection with the Assigned Debt. For avoidance of doubt, the Assigned Debt was not included from the total amount of Claims against the Company as at 31 March 2023 and the entering into of the Deed of Settlement will not affect the operation of the Creditors' Scheme.

In the event of any non-compliance by the Company to settle Mr. Lam's Settlement Sum, Mr. Lam shall be entitled to seek immediate recovery of Mr. Lam's Settlement Sum from the Company.

Having considered that the Company's business has been gradually improving, it is intended to settle Mr. Lam's Settlement Sum with its internal resources generated from its operations.

11.1 Reasons for and the benefits of the Deed of Settlement

As the Creditors' Scheme has been sanctioned by the High Court, it is not in the interests of the Company to amend the terms therein and include Mr. Lam into the Creditors' Scheme. The arrangement under the Deed of Settlement is not more favorable than the settlement proposed under the Creditors' Scheme and can significantly reduce the amount payable by the Company to Mr. Lam and is therefore considered to be in the interests of the Company and the Shareholders as a whole.

The entering into of the Deed of Settlement does not have any implications under the Listing Rules.

11.2 Information of Mr. Lam

Mr. Lam is a Hong Kong resident and he has been conducting businesses with the Group through Sino Action Industrial Limited, a company wholly-owned by Mr. Lam and is one of the major suppliers of the Group in the animation derivative products segment for over 16 years. As at the Latest Practicable Date, Mr. Lam holds 200,000,000 Shares, representing approximately 1.69% of the issued share capital of the Company as at the Latest Practicable Date.

11.3 Conditions precedent to the Deed of Settlement

The Deed of Settlement and the transactions contemplated thereunder have to be made in compliance with the Takeovers Code and to obtain the consent from the Executive and the approvals from Independent Shareholder(s) from the EGM.

12. IMPLICATIONS UNDER THE TAKEOVERS CODE

The Whitewash Waiver

As at the Latest Practicable Date, the Investor, its beneficial owner and parties acting in concert with any of them are not interested in any Shares. Immediately after the Capital Reorganisation becoming effective and immediately after the completion of the Share Subscription, the Investor will be interested in 530,800,000 New Shares, representing approximately 81.79% of the issued Share capital upon the Capital Reorganisation and as enlarged by the Subscription Shares (assuming that there will be no change in the issued Share capital from the Latest Practicable Date and up to completion of the Share Subscription other than as a result of the Capital Reorganisation and the issue of the Subscription Shares). As such, the Investor would be required to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Investor and the parties acting in concert with it under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

An application has been made by the Investor to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. Under the Takeovers Code, the resolution(s) in relation to the Whitewash Waiver shall be approved by at least 75% of the independent votes (excluding those Shareholders who are interested in or involved in the Whitewash Waiver and the Special Deals) that are cast either in person or by proxy by the Independent Shareholders at the EGM by way of poll, and each of the Share Subscription, the CB Subscription, the Creditors' Scheme and the transactions contemplated thereunder would be subject

to the approval by more than 50% of the Independent Shareholders in separate resolutions at the EGM by way of poll. As it is a condition precedent to Completion that the Whitewash Waiver is granted by the Executive, the Debt Restructuring, the Share Subscription, the CB Subscription and the transactions contemplated thereunder will not proceed if the Whitewash Waiver is granted but subsequently invalidated by the Executive or not approved by the Independent Shareholders at the EGM.

As at the Latest Practicable Date, the Company confirms that the Proposed Restructuring would not give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). Should a concern arise after the Latest Practicable Date, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible and make further announcement(s) to update the Shareholders and the public on the latest developments of the Proposed Restructuring.

If the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders and the Subscriptions become unconditional, the aggregate shareholding of the Investor, its ultimate beneficial owners and parties acting in concert with any of them in the Company will exceed 50% immediately upon Completion. The Investor, its ultimate beneficial owners and parties acting in concert with any of them may further increase their shareholding in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

The Scheme's Special Deals

It is proposed that the Creditors' Scheme will be implemented as detailed in this circular. Based on the records currently available to the Company, Shareholders who are also eligible to be Scheme Creditors under the Scheme Document are China Sun Group Holding Limited, Ms. Chow Wai Man Grace, Mr. Wong Yu Man James and Ms. Wong Lau Chui Chui Priscilla and Mr. Ho Chi Ping. As at the Latest Practicable Date, save for Mr. Lam, there is no other Shareholders who are also the creditors of the Company having a Claim and have been considered not eligible as the Creditors.

Set out below is their respective shareholding in the Company as at the Latest Practicable Date and the respective amount payable to them as at 31 January 2026:

Creditors	Number of Shares held as at the Latest Practicable Date	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date	Outstanding Sum as at 31 January 2026	Reasons for the amount due
			(HK\$' million)	
China Sun Group Holding Limited	85,888,000	7.27%	88.37	It purchased bonds (i) of the amount HK\$22.60 million from Bun Tsubomi; and (ii) of the amount HK\$30.00 million from Zing, that were initially issued by the Company to Bun Tsubomi and Zing as service fees to develop the New Projects.
Ms. Chow Wai Man Grace	10,000,000	0.84%	40.19	She provided loans to the Company in the total amount of HK\$25.25 million as working capital and to settle its bonds' payables that was due in September 2021. She also purchased bond of the amount HK\$5.95 million from Bun Tsubomi which was issued by the Company to Bun Tsubomi as service fee to develop the New Projects.

Creditors	Number of Shares held as at the Latest Practicable Date	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date	Outstanding Sum as at 31 January 2026	Reasons for the amount due
Mr. Wong Yu Man James and Ms. Wong Lau Chui Chui Priscilla	85,000,000	7.19%	34.53	They provided a loan to the Company in the amount of HK\$20.00 million to settle the Company's bonds' payable that was due in September 2021. They also purchased bonds (i) of the amount HK2.00 million from Sun Ying; (ii) of the amount HK\$4.95 million from Zing, and the funds from the bonds issued by the Company to Zing were paid as service fee for Zing to develop the New Projects; and (iii) of the amount HK\$2.75 million from Precedent Japan, which were issued by the Company to Precedent Japan as service fees to develop the New Projects.
Mr. Ho Chi Ping	20,000,000	1.69%	6.71	He, through his company, purchased bonds (i) of the amount HK\$2.5 million from Zing; and (ii) HK\$4.00 million from Precedent Japan, which were issued by the Company to Zing and Precedent Japan as service fees to develop the New Projects.
Total	200,888,000	16.99%	169.80	

As the proposed settlement of the indebtedness due to the Creditors who are Shareholders under the Creditors' Scheme is not extended to all the other Shareholders, the implementation of the Creditors' Scheme constitutes the Scheme's Special Deals under Rule 25 of the Takeovers Code and therefore requires (i) consent by the Executive; (ii) the Independent Financial Adviser to publicly state in its opinion that the terms of the Creditors' Scheme are fair and reasonable; and (iii) approval by the Independent Shareholders at the EGM, in which the Creditors and their associates and parties acting in concert with any of them and those who are interested in or involved in the Scheme's Special Deals will abstain from voting on the relevant resolutions. Please also refer to the sub-section headed "Parties to abstain from voting at the EGM" to this circular.

An application will be made by the Company to the Executive for the consent to the Scheme's Special Deals under Rule 25 of the Takeovers Code.

In the event that the consent to the Scheme's Special Deals under Rule 25 of the Takeovers Code were not being obtained from the Executive or the Scheme's Special Deals were not being duly approved by the Independent Shareholders at the EGM, the Proposed Restructuring shall not proceed and the Creditors' Scheme shall not become effective.

Mr. Lam's Special Deal

Since Mr. Lam is the ultimate beneficial owner of the Assigned Shares, representing approximately 1.69% of the issued share capital of the Company as at the Latest Practicable Date, and the proposed settlement under the Deed of Settlement to Mr. Lam is not extended to all the other Shareholders, it constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code and requires (i) consent by the Executive; (ii) the Independent Financial Adviser to publicly state in its opinion that the terms of the Deed of Settlement are fair and reasonable; and (iii) approval by Independent Shareholders at the EGM, in which.

Mr. Lam and parties acting in concert with him and those who are interested in or involved in Mr. Lam's Special Deal, will abstain from voting on the relevant resolutions. Please also refer to the sub-section headed "Parties to abstain from voting at the EGM" to this circular.

The Company confirms that apart from being a major supplier of the Group, Mr. Lam does not have other relationship (finance, personal, business or otherwise) with the Company or any of the Directors or their respective spouses. Mr. Lam further confirms that he is a third party independent of and not connected with the Investor and the parties acting in concert with it.

For avoidance of doubt, whether the Deed of Settlement and the transactions contemplated thereunder to be proceeded or not, it will not affect the Proposed Restructuring.

An application will be made by the Company to the Executive for the consent to the Mr. Lam's Special Deals under Rule 25 of the Takeovers Code.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

The Investor and its ultimate beneficial owners have confirmed that none of the Investor, its ultimate beneficial owners nor any person acting in concert with any of them:

- (i) save for the Shares as set out in the section headed "8. EFFECT ON THE SHAREHOLDING STRUCTURES OF THE COMPANY", owns, controls or has direction over any Shares and right over Shares, outstanding share options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company (the "**Relevant Securities**");
- (ii) will make any acquisitions or disposals of voting rights in the Company in the period between the Latest Practicable Date and Completion;
- (iii) had not dealt in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (iv) owns or has control or direction over any voting rights or rights over the Shares or any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company;
- (v) save for the Investor Bonds and the Investor Bond Confirmation Deed, has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any other persons in relation to the relevant securities of the Company or of the Investor which might be material to the Subscriptions, the Creditors' Scheme, the Specific Mandate, the Whitewash Waiver or the Special Deals;
- (vi) save for the Investor Bonds and the Investor Loan, other than the consideration payable under the Subscriptions, has paid or will pay any other consideration, compensations or benefits in whatever form to the Company or any parties acting in concert with it in relation to the Subscription Shares and the CB Conversion Shares;

- (vii) has received any irrevocable commitment from any Independent Shareholders as to whether they will vote for or against the resolution approving the Subscriptions, the Creditors' Scheme, the Specific Mandate, the Whitewash Waiver and/or the Special Deals;
- (viii) save for the Term Sheet and the Subscription Agreements, has any agreements or arrangements to which it is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscriptions, the Creditors' Scheme, the Specific Mandate, the Whitewash Waiver or the Special Deals;
- (ix) has borrowed or lent any relevant securities in the Company; and
- (x) as at the Latest Practicable Date, there is no understanding, agreement or arrangement in the nature of a special deal (as defined under Rule 25 of the Takeovers Code) between the Investor, its ultimate beneficial owners and parties acting in concert with any of them on the one hand and the Company and any party acting in concert with it on the other hand.

Also, the Company confirms that

- (i) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of "acting in concert" under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of "associate" under the Takeovers Code. The aforesaid parties had not dealt for value in any Relevant Securities of the Company during the Relevant Period;
- (ii) there was no agreement or arrangement between any of the Directors and any other person which was conditional or dependent on the outcome of the Subscription Agreements, the Creditors' Scheme, the Specific Mandate, the Whitewash Waiver and/or the Special Deals or otherwise connected with the Subscription Agreements, the Creditors' Scheme, the Specific Mandate, the Whitewash Waiver and/or the Special Deals;
- (iii) it had not paid and will not pay any consideration, compensation or benefit in whatever form to the Investor, its ultimate beneficial owners and parties acting in concert with any of them in respect of the Subscription Agreements, the Creditors' Scheme, the Specific Mandate, the Whitewash Waiver and/or the Special Deals;

- (iv) the subsidiaries of the Company, pension funds of the Company or of any subsidiaries of the Company or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (excluding exempt principal traders and exempt fund manager) did not own, control or have control or direction over any Relevant Securities of the Company. The aforesaid parties had not dealt for value in any such securities of the Company during the Relevant Period;
- (v) no Relevant Securities of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company. The aforesaid parties had not dealt for value in the Relevant Securities of the Company during the Relevant Period; and
- (vi) the Subscriptions, the Creditors’ Scheme, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder would not give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). Should a concern arise after the Latest Practicable Date, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible and make further announcement(s) to update the Shareholders and the public on the latest developments of the Proposed Restructuring.

Arrangements affecting and relating to the Directors and/or the Shareholders

- (i) no benefit had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Subscription Agreements, the Creditors’ Scheme, the Specific Mandate, the Whitewash Waiver and/or the Special Deals;
- (ii) there was no agreement, arrangement or understanding (including any compensation arrangement) existed among the Investor, its ultimate beneficial owners and parties acting in concert with any of them and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Subscription Agreements, the Creditors’ Scheme, the Specific Mandate, the Whitewash Waiver and/or the Special Deals;
- (iii) there was no material contract entered into by the Investor, its ultimate beneficial owners and parties acting in concert with any of them in which any Director had a material personal interest;

- (iv) as at the Latest Practicable Date, save for the Special Deals, there is no understanding, agreement or arrangement in the nature of a special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholder, and (a) the Investor, its ultimate beneficial owners and parties acting in concert with any of them; or (b) the Company, its subsidiaries or associated companies;
- (v) as at the Latest Practicable Date, other than Mr. Chong Heung Chung Jason (executive Director) and Ms. Lee Sui Fong Fiona (his spouse), who are Shareholders but will abstain from voting at the EGM, no other Directors are Shareholders to vote for or against the resolutions at the EGM.

13. IMPLICATIONS UNDER THE LISTING RULES

As the Specific Mandate will have to be granted to the Company to allot and issue the Scheme Shares, the Subscription Shares and the CB Conversion Shares, the Proposed Restructuring will be subject to, among other things, the approval of the Independent Shareholders at the EGM.

Pursuant to Rule 7.27B of the Listing Rules, a listed issuer may not undertake a rights issue, open offer or specific mandate placing that would result in a theoretical dilution effect of 25% or more (on its own or when aggregated within a 12-month period), unless the Stock Exchange is satisfied that there are exceptional circumstances. The Subscriptions and the issue of the Scheme Shares will result in a theoretical dilution effect of approximately 72.66%, which is over the 25% threshold as specified under Rule 7.27B of the Listing Rules. However, the Company is of the view that there are exceptional circumstances for the Company having considered the adverse financial position of the Company.

As disclosed in the section headed “6. REASONS FOR AND THE PURPOSES OF THE PROPOSED RESTRUCTURING” in this letter, the Group has faced severe liquidity challenges and required urgent financial assistance to support its operation and turnaround its financial position and when the Proposed Restructuring successfully implemented, it is expected to alleviate immediate repayment pressures, discharge or compromise claims in an orderly manner, enhance creditor and stakeholder confidence through a clearer path to recovery. Given the circumstances, should the Company fail to seek new funds to enhance its financial position, the Company would likely be placed into insolvent liquidation. Therefore, the Proposed Restructuring (including the Subscriptions), which forms part of the rescue plan of the Company, are essential to reverse the Company’s existing financial conditions, and the Company considers that (i) there are exceptional circumstances for the Company to undertake the Subscriptions which in aggregate would result in

a theoretical dilution effect of over 25%; and (ii) the Share Subscription Price, the CB Conversion Price and the issue price of the Scheme Shares are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In light of the above, as at the Latest Practicable Date, the Stock Exchange has concluded that the Company has demonstrated that there are exceptional circumstances for the purpose of Rule 7.27B of the Listing Rules.

14. THE EGM

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among others, the Capital Reorganisation, the Share Subscription, the CB Subscription, the Creditors' Scheme, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder. No Shareholders are required to be abstained from voting on the resolutions to approve the Capital Reorganisation.

Parties to abstain from voting at the EGM

Votes by following persons on the resolutions to approve the Proposed Restructuring, the Whitewash Waiver, the Scheme's Special Deals and the transactions contemplated thereunder will not be counted for Takeovers Code purposes:

- (i) the Investor and Mr. Kenichi as its ultimate beneficial owners and their respective associates;
- (ii) any parties acting in concert with the Investor and its ultimate beneficial owners; and
- (iii) the Shareholders who are involved in or interested in the Proposed Restructuring, the Whitewash Waiver and the Special Deals.

Accordingly, the following parties will abstain from voting on the resolutions to approve the Proposed Restructuring, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder at the EGM:

- (i) the Investor, its ultimate beneficial owners, their associates and parties acting in concert with any of them;
- (ii) Mr. Chong Heung Chung Jason (who is involved in the negotiations in relation to the Proposed Restructuring) and his concert parties (as disclosed in the announcement of the Company dated 25 September 2023, although the following parties have entered into a

termination deed to terminate the concert party deed dated 25 November 2014, these parties remain as a group of parties acting in concert within the meaning of the Takeovers Code, as the Company has not yet obtained confirmation from the Executive that it can be accepted that they are no longer acting in concert pursuant to note 3 to the definition of “acting in concert” of the Takeovers Code), namely

- (a) Bright Rise Enterprise Limited, the ultimately beneficial owner of which is Mr. Chong Heung Chung Jason;
 - (b) Fortress Strength Limited, the ultimately beneficial owner of which is Ms. Lee Sui Fong Fiona, the spouse of Mr. Chong Heung Chung Jason;
 - (c) Bonville Glory Limited, the ultimately beneficial owner of which is Mr. Ting Ka Fai Jeffrey;
 - (d) East Jumbo Development Limited, the ultimately beneficial owner of which is Ms. Or Den Fung Bonnie;
 - (e) Mr. Shinichiro Ikeda;
 - (f) Dragon Year Group Limited, the ultimately beneficial owner of which is Mr. Shinichiro Ikeda;
- (iii) China Sun Group Holding Limited (who is involved in the Scheme’s Special Deals), the ultimately beneficial owner of which is Ms. Wang Xiuhua;
- (iv) Ms. Chow Wai Man Grace (who is involved in the Scheme’s Special Deals);
- (v) Mr. Wong Yu Man James (who is involved in the Scheme’s Special Deals);
- (vi) Ms. Wong Lau Chui Chui (who is involved in the Scheme’s Special Deals);
- (vii) Mr. Ho Chi Ping (who is involved in the Scheme’s Special Deals); and
- (viii) Mr. Lam and parties acting in concert with him (who is involved in Mr. Lam’s Special Deal).

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch

share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the EGM or any adjournment thereof. Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof. In such event, your form of proxy will be deemed revoked.

15. THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee, comprising the independent non-executive Directors in compliance with Rule 2.8 of the Takeovers Code, has been established to advise the Independent Shareholders as to whether the terms of the Proposed Restructuring, the Whitewash Waiver, the Special Deals are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. The Independent Financial Adviser has been appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in accordance with the requirements under the Takeovers Code on such matters.

16. RECOMMENDATION

Your attention is also drawn to the letter from the Independent Board Committee set out on pages [IBC-1] to [IBC-2] in this circular and the letter from the Independent Financial Adviser set out on pages [IFA-1] to [IFA-85] in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Proposed Restructuring, the Whitewash Waiver, the Special Deals are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and as to the voting of the relevant resolution(s) at the EGM including the principal factors and reasons considered by it in arriving at its opinion.

The executive Directors consider that the Proposed Restructuring and the transactions contemplated thereunder, the Whitewash Waiver, and the Special Deals are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the executive Directors recommend that the Shareholders should vote in favour of the resolutions in relation to such matters, which will be proposed at the EGM.

You are advised to read the letter from the Independent Financial Adviser mentioned above before deciding how to vote on the resolution(s) to be proposed at the EGM.

WARNING

Trading in the Shares on the Stock Exchange has been suspended since 21 November 2024. Under Rule 6.01A(1) of the Listing Rules, the Company must ensure trading in its shares to resume by the 18-month prescribed remedial period ending on 20 May 2026. Otherwise, the Stock Exchange will be entitled to delist the Company. To resume trading, the Company must demonstrate to the Stock Exchange's satisfaction that it has met all the resumption guidance, addressed all the issues arising from time to time warranting a trading suspension and re-complied with the Listing Rules by the resumption deadline. The Company will disclose updates on the satisfaction of resumption guidance by way of announcement, as and when appropriate.

Where a long-suspended issuer's corporate actions include equity fundraisings, the Stock Exchange would consider granting the required listing approval only if the issuer satisfies the Stock Exchange that upon completion of the equity fundraisings, the issuer will then have fulfilled all the resumption guidance, re-complied with the Listing Rules, and been eligible for trading resumption. Therefore, the Stock Exchange will not grant listing approval to a suspended issuer which has not demonstrated that taking into account the equity fundraisings, it would have sufficient operations and assets to warrant its continued listing under Rule 13.24 of the Listing Rules.

Publication of this circular does not indicate that the Stock Exchange is satisfied that the Company has fulfilled any resumption guidance nor the Company can demonstrate that there are exceptional circumstances as prescribed under Rule 7.27B of the Listing Rules justifying a subscription and/or issue of the Subscription Shares and Scheme Shares with theoretical dilution effect of 25% or more; nor would it constitute any decision or conclusion from the Stock Exchange not to delist the Company nor warrant any approval from the Stock Exchange on the resumption of trading in the existing shares on the Stock Exchange.

Completion is subject to the fulfilment of the conditions precedent to the Subscriptions and the Creditors' Scheme as set out in this circular, including but not limited to, the listing of, and permission to deal in the Subscription Shares, CB Conversion Shares and Scheme Shares having been granted by the Stock Exchange. In the event that the listing of, and permission to deal in the Subscription Shares, CB Conversion Shares and/or Scheme Shares is not granted, the Subscription Agreements and the Proposed Restructuring will not become unconditional and the Subscriptions and the Proposed Restructuring will not proceed. Accordingly, the Proposed Restructuring may or may not proceed. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the Shares. If they are in any doubt, they should consult their professional advisers.

By order of the board of
CA Cultural Technology Group Limited

A handwritten signature in black ink, appearing to read 'Jason', with a large, stylized flourish above it and a horizontal line underneath.

Chong Heung Chung Jason
Chairman and Executive Director