China Animation Characters Company Limited
華夏動漫形象有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01566)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2015

The Company has been listed on the main board of the Stock Exchange since 12 March 2015. The Directors are pleased to announce the audited consolidated annual results of the Group for the year ended 31 March 2015 are as follows:

– Revenue was HK$488.3 million for the year ended 31 March 2015, representing an increase of 44.2%, as compared with HK$338.7 million for the year ended 31 March 2014.

– Gross profit was HK$186.9 million for the year ended 31 March 2015, representing an increase of 12.9%, as compared with HK$165.5 million for the year ended 31 March 2014. Gross profit margin for the year ended 31 March 2015 was 38.3%, representing a decrease of 21.5%, as compared with 48.8% for the year ended 31 March 2014.

– Profit attributable to the owners of the Company was HK$75.7 million, representing a decrease of 42.0%, as compared with HK$130.6 million for the year ended 31 March 2014.

– Basic earnings per share amounted to 24 HK cents for the year ended 31 March 2015, representing a decrease of 45.5%, as compared with 44 HK cents for the year ended 31 March 2014.

The Group had a significant business growth in terms of revenue during the year ended 31 March 2015. The decrease in the profit attributable to the owners of the Company for the year ended 31 March 2015 was primarily due to (a) the one-off deferred license fee income of HK$41.7 million recorded in the year ended 31 March 2014 and (b) the increases in the expenses incurred by the Group for its business operations and in particular, the expenses incurred for the Listing during the year ended 31 March 2015. The Listing expenses are non-recurring in nature, and HK$56.7 million was accounted for in the financial statements of the Group for the year ended 31 March 2015. Without taking into account the expenses for the Listing and the one-off deferred licensing income, the normalised profit attributable to the owners of the Company would be HK$132.3 million, representing an increase of 40.0%, as compared to HK$94.5 million for the year ended 31 March 2014.

The Board has not recommended the payment of final dividend for the year ended 31 March 2015 because the Directors intend to retain the financial resources for the business development of the Group.

The board (the "**Board**") of directors (the "**Directors**") of China Animation Characters Company Limited (the "**Company**") is pleased to present the audited consolidated annual results of the Company (which together with its subsidiaries, the "**Group**") for the year ended 31 March 2015, together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2015

	Notes	**2015**	2014
		HK$'000	*HK$'000*
Revenue	*2*	**488,283**	338,744
Cost of sales and services		**(301,348)**	(173,293)
Gross profit		**186,935**	165,451
Other income		**212**	13
Selling and distribution expenses		**(3,590)**	(3,314)
Administrative expenses		**(30,958)**	(14,810)
Listing expenses		**(56,706)**	(5,554)
Other expense		**(753)**	–
Profit before taxation		**95,140**	141,786
Taxation	*3*	**(23,169)**	(11,184)
Profit for the year	*4*	**71,971**	130,602
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign subsidiary		**91**	(7)
Total comprehensive income for the year attributable to owners of the Company		**72,062**	130,595
Profit (loss) for the year attributable to:			
Owners of the Company		**75,632**	130,602
Non-controlling interests		**(3,661)**	–
		71,971	130,602
Total comprehensive (expense) income attributable to:			
Owners of the Company		**75,723**	130,595
Non-controlling interests		**(3,661)**	–
		72,062	130,595
Earnings per share	*6*		
– Basic (HK$)		**0.24**	0.44
– Diluted (HK$)		**0.24**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2015

	Notes	**2015** *HK$'000*	2014 *HK$'000*
Non-current assets			
Property, plant and equipment		**102,908**	56,034
Intangible assets		**6,476**	7,264
Deposits for acquisition of property, plant and equipment		**119,059**	–
		228,443	63,298
Current assets			
Trade receivables	*7*	**64,940**	29,531
Other receivable, deposits and prepayments		**9,825**	175
Advances to a supplier	*8*	**72,643**	–
Amount due from a director		**–**	15,061
Bank balances and cash		**339,017**	86,020
		486,425	130,787
Current liabilities			
Trade payables	*9*	**36,424**	21,031
Other payables and accruals	*10*	**39,640**	7,473
Amount due to a director		**–**	15,271
Tax payable		**83,594**	65,564
		159,658	109,339
Net current assets		**326,767**	21,448
Net assets		**555,210**	84,746
Capital and reserves			
Share capital		**42,911**	1,000
Reserves		**515,347**	83,746
Equity attributable to owners of the Company		**558,258**	84,746
Non-controlling interests		**(3,048)**	–
Total equity		**555,210**	84,746

1. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases" and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to HKAS 1	Disclosure Initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[4]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[4]
HKFRS 9	Financial Instruments[6]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[5]

[1] Effective for annual periods beginning on or after 1 July 2014
[2] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
[3] Effective for the first annual HKFRS financial statements beginning on or after 1 January 2016
[4] Effective for annual periods beginning on or after 1 January 2016
[5] Effective for annual periods beginning on or after 1 January 2017
[6] Effective for annual periods beginning on or after 1 January 2018

The Directors are in the process of making an assessment of the impact of the application of the new and revised standard and amendments on the consolidated financial statements.

2. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from trading of animation derivative products, licensing of animation characters, establishment and operation of indoor animation amusement park and multimedia animation entertainment in Hong Kong and the People's Republic of China ("PRC") during the two years ended 31 March 2015 and 2014.

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

The Group's operating and reportable segments currently are: (i) trading of animation derivative products, (ii) licensing of animation characters, (iii) establishment and operation of indoor animation amusement park and (iv) multimedia animation entertainment. The CODM considers the Group has four operating and reportable segments which are based on the internal organisation and reporting structure. This is the basis upon which the Group is organised.

Segment revenue and results

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

For the year ended 31 March 2015

	Trading of animation derivative products *HK$'000*	Licensing of animation characters *HK$'000*	Establishment and operation of indoor animation amusement park *HK$'000*	Multimedia animation entertainment *HK$'000*	Total *HK$'000*
Segment revenue	443,122	15,000	28,537	1,624	488,283
Segment profit	150,405	12,154	17,785	1,323	181,667
Unallocated income					212
Unallocated expenses					(30,033)
Listing expenses					(56,706)
Profit before taxation					95,140

For the year ended 31 March 2014

	Trading of animation derivative products *HK$'000*	Licensing of animation characters *HK$'000*	Establishment and operation of indoor animation amusement park *HK$'000*	Multimedia animation entertainment *HK$'000*	Total *HK$'000*
Segment revenue	245,136	73,608	20,000	–	338,744
Segment profit	73,502	69,406	19,229	–	162,137
Unallocated income					13
Unallocated expenses					(14,810)
Listing expenses					(5,554)
Profit before taxation					141,786

Segment profit represents the profit earned by each segment without allocation of certain administrative expenses, listing expenses and unallocated income. This is the measure reported to CODM for the purpose of resource allocation and performance assessment.

All the segment revenue reported above is from external customers.

Segment assets and liabilities

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

Segment assets

	2015 ***HK$'000***	2014 *HK$'000*
Trading of animation derivative products	**64,940**	11,931
Licensing of animation characters	**1,484**	19,975
Establishment and operation of indoor animation amusement park	**184,213**	2,279
Multimedia animation entertainment	**2,942**	2,610
Total segment assets	**253,579**	36,795
Property, plant and equipment	**49,254**	56,034
Other receivables, deposits and prepayments	**375**	175
Advances to a supplier	**72,643**	–
Amount due from a director	**–**	15,061
Bank balances and cash	**339,017**	86,020
Consolidated assets	**714,868**	194,085

Segment liabilities

	2015	2014
	HK$'000	*HK$'000*
Trading of animation derivative products	**121,979**	87,812
Establishment and operation of indoor animation amusement park	**4,334**	2,279
Total segment liabilities	**126,313**	90,091
Other payables and accruals	**33,345**	3,977
Amount due to a director	**–**	15,271
Consolidated liabilities	**159,658**	109,339

Segment assets represent certain property, plant and equipment, deposits for property, plant and equipment, intangible assets, trade receivables and certain other receivables, deposits and prepayments which are directly attributable to the relevant operating and reportable segments. Segment liabilities represent trade payables, certain other payables and accruals and tax payable which are directly attributable to the relevant operating and reportable segments. These are the measures reported to the CODM for the purpose of resources allocation and assessment of segment performance.

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2015	2014
	HK$'000	*HK$'000*
Trading of animation derivative products	**443,122**	245,136
Royalty from licensing of animation characters	**–**	73,608
Consultancy fee relating to licensing of animation characters	**15,000**	–
Joining fee from potential business partner for indoor animation amusement park	**25,000**	20,000
Sales of admission tickets of indoor animation amusement park and multimedia animation entertainment	**5,161**	–
Total revenue	**488,283**	338,744

No further analysis is presented for animation derivative products and animation characters as such information is not regularly provided to the CODM and the cost to develop it would be excessive.

Geographical information

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

Information about the Group's revenue from external customers is presented based on the geographical locations of customers irrespective of the origin of goods/services. Information about the Group's non-current assets is presented based on the geographical location of the assets.

Revenue from external customers

	2015	2014
	HK$'000	*HK$'000*
PRC	**45,161**	20,000
Hong Kong	**17,788**	7,211
Japan	**425,334**	311,533
	488,283	338,744

Non-current assets by geographical location

	2015	2014
	HK$'000	*HK$'000*
PRC	**221,847**	56,281
Hong Kong	**6,596**	7,017
	228,443	63,298

3. TAXATION

	2015	2014
	HK$'000	*HK$'000*
Hong Kong Profits Tax	**23,169**	11,184

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

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards. No provision for the PRC Enterprise Income Tax has been made as no assessable profit is derived from the subsidiaries in the PRC during both years.

The Group had not notified the Hong Kong Inland Revenue Department (the "**IRD**") of its assessable profits for the years of assessment 2008/09, 2009/10, 2010/11, 2011/12 and 2012/13 on time in prior years. Instead, such notifications were only made in February 2014 that the Group had derived assessable profits since 2008. Following the notification, the IRD issued tax returns to the Group which they have completed and submitted to the IRD within the time frame as stipulated in the respective tax returns. The Group has received Notices of Assessment for the years of assessment 2008/09 in March 2014, the year of assessment 2009/10 in May 2014, the year of assessment 2010/11, 2011/12 and 2012/13 in July 2014, respectively, from the IRD which stated that tax payable for the years of assessment 2008/09, 2009/10, 2010/11, 2011/12 and 2012/13 amounting to approximately HK$4,566,000 in aggregate, which is based on the amounts reported in tax returns filed by the Group for relevant years assuming no penalty would be imposed by the IRD. Up to the date of this report, the IRD has not issued any penalty notice to the Group in respect of the late notification of chargeability for the relevant years as mentioned above.

In addition to making tax provision for the relevant years as discussed above, the directors have also considered possible penalty that may be imposed by the IRD on the Group as of the reporting date, if any, arising from the late notification of chargeability for the years of assessment 2008/09, 2009/10, 2010/11, 2011/12 and 2012/13 by the relevant group entity. After seeking professional advice, the directors understand that the possible penalty, if any, is likely to be at the level of 50% of the amount of tax undercharged, that is HK$2,283,000 as of 31 March 2015 and 2014. However, based on the relevant facts and circumstances and taking into account professional advice, the directors believe that it is not probable that such penalty will be imposed on the Group. As a result, no provision has been made against such potential penalty.

The Group has lodged the offshore profits claims in respect of the trading income (other than trading income derived from the Hong Kong affiliates of Japanese customers) and licensing income which were derived from outside Hong Kong. Hence, the Group estimated the total tax payable for the years of assessment of 2008/09 to 2012/13 (on the assumption that the aforesaid offshore profit claims will be accepted by the IRD) amounted to HK$4,566,000 and has already paid such amount to the IRD based on the tax returns received. Up to the date of this report, the offshore profits claims are still under review by the IRD. After seeking professional advice, the directors of the Company opined that in the event that the offshore profits claims in respect of the trading income are not accepted but the offshore profits claims in respect of the licensing income are accepted by the IRD, the estimated outstanding tax payable by the Group for the seven years ended 31 March 2015 would be HK$84,366,000 (2014: HK$66,336,000). As of 31 March 2015, the Group has made accumulated provision of HK$83,594,000 (2014: HK$65,564,000) as tax payable in the consolidated financial statements. Having taken into account professional advice, the directors believe that the Group has made appropriate provision in respect of the possible tax liability.

4. PROFIT FOR THE YEAR

	2015	2014
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Staff costs:		
Directors' emoluments	**2,222**	–
Other staff costs		
Salaries and other benefits	**6,258**	3,603
Retirement benefits scheme contributions	**421**	71
	8,901	3,674
Auditor's remuneration	**2,370**	1,465
Cost of inventories recognised as expenses	**287,130**	164,815
Depreciation of property, plant and equipment	**8,047**	7,611
Amortisation of intangible assets	**1,370**	1,140
Research and development costs recognised as an expense (included in cost of sales and services)	**1,705**	3,191
Operating lease rentals in respect of rented premises	**6,210**	1,457
Operating lease rentals in respect of rented vehicles	**130**	130
Net foreign exchange (gain) losses	**(2)**	133

5. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation. Prior to the reorganisation, China Animation Group Limited had declared dividends to its then equity owner as follows:

	2015	2014
	HK$'000	*HK$'000*
Controlling Shareholder	**25,000**	83,200

The rate of dividend and number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

The directors do not recommend the payment of a final dividend for the year ended 31 March 2015.

6. EARNINGS PER SHARE

	2015	2014
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**75,632**	130,602

	2015	2014
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**319,239**	300,000
Effect of dilutive potential ordinary shares:		
Over-allotment option from initial public offering	**24**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**319,263**	N/A

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 March 2014 was calculated based on the ordinary shares of the Company after retrospective adjustment and assuming the issuance of 300,000,000 ordinary shares of HK$0.10 pursuant to the capitalisation issue, pursuant to "Resolutions passed by our Shareholders in the general meeting held on 16 February 2015" had been effective on 1 April 2013.

No diluted earnings per share is presented for the year ended 31 March 2014 as there was no potential ordinary share in issue during that year.

7. TRADE RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**64,940**	29,531

Included in the Group's trade receivables is trade balance with Harvest Progress International Limited ("Harvest Progress"), a shareholder of the Company, of HK$25,000,000 (2014: nil).

The Group allows a credit period of 30 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice dates, which approximate the revenue recognition dates:

	2015	2014
	HK$'000	*HK$'000*
0 to 30 days	**37,666**	8,753
31 to 60 days	**2,065**	4,447
61 to 180 days	**25,004**	9,700
Over 180 days	**205**	6,631
	64,940	29,531

8. ADVANCES TO A SUPPLIER

The amount represents the accumulated balance of the advances to an independent supplier for the expansion of its production capacity in order to cope with orders from the Group pursuant to the agreement entered in March 2015. The advances are unsecured, non-interest bearing and repayable in October 2015. Pursuant to the agreement, the Group has the right to set off the debt against trade payable to the supplier in the case of default of the settlement in October 2015. The advances are not past due or impaired at the end of the reporting period.

9. TRADE PAYABLES

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

	2015	2014
	HK$'000	*HK$'000*
0 to 30 days	**26,250**	8,122
31 to 60 days	**8,862**	12,909
61 to 90 days	**27**	–
Over 90 days	**1,285**	–
	36,424	21,031

10. OTHER PAYABLES AND ACCRUALS

	2015	2014
	HK$'000	*HK$'000*
Other payables and accruals	**36,321**	3,692
Advanced receipts from customers	**2,104**	1,217
Salaries payables	**1,104**	285
Payable for indoor amusement park right	**–**	2,279
Other tax payable	**111**	–
	39,640	7,473

MANAGEMENT DISCUSSION AND ANALYSIS

The shares (the "**Shares**") of the Company have been successfully listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 12 March 2015 (the "**Listing Date**"). The successful listing on the Stock Exchange represents a milestone in the corporate and business development of the Group.

The Group is engaged in multi-line businesses in the animation-related industry, with the primary focus on the trading of animation-derived products (mainly toys) featuring renowned third-party owned animation characters for the Japanese market with the provision of value-added services to its customers. The Group is striving to build a leading multimedia animation business in China and has been actively expanding its business during the year ended 31 March 2015, including the opening of the Phase I of *Shanghai Joypolis*, the licensing of animation characters and the development of multimedia animation entertainment businesses featuring the proprietary animation characters of the Group.

BUSINESS REVIEW

Trading of animation-derived products

The core business of the Group is trading of toys featuring a wide range of popular third-party owned animation characters with the provision of value-added services to its customers. The Group's product range includes general plastic toys, food-grade toys (toys that are intended to have direct contact with food and toys that are packaged with candy) and product moulds procured from suppliers. The product moulds are designed and manufactured by suppliers for the production of animation-derived plastic toy products.

Most of the Group's customers are Japanese companies sourcing animation-derived products for toys companies in Japan, leading outdoor theme parks in Japan and Japanese companies distributing their products in Japan and the United States market. Through the provision of quality toy products and services, the Group has been able to maintain solid business relationship with customers.

The value-added services offered by the Group include quality control and product design improvements to certain customers if required by them. These services can differentiate the Group from other toy traders which do not provide additional services to customers.

Indoor animation amusement park

The Group is the first licensed operator of *Joypolis* in China. Phase I of *Shanghai Joypolis* with a gross floor area of 1,000 sq.m. was opened on 30 December 2014 and the grand opening of *Shanghai Joypolis* of 8,239 sq.m. is scheduled in the first quarter of 2016. *Shanghai Joypolis* is strategically located in a shopping complex in downtown Shanghai connected with convenient transportation network. The shopping complex is adjacent to Jinshajiang Road Station on the Shanghai Metro, which is connected with Lines 3, 4 and 13 of the Shanghai Metro.

Phase I of *Shanghai Joypolis* includes two major attractions, Wonder Forest and P+Closet, which were opened on 30 December 2014. Wonder Forest is a fun world designed for families and installed with amusement facilities, a drawing aquarium and kids party. P+Closet is a cosplay trendy photography studio originated from SEGA in Japan. Targeting young girls, the studio is equipped with the latest photography equipment and provides a glamourous fashion closet for the girls to select wonderful apparel. Wonder Forest attracted approximately 12,000 visitors during the period from 1 January to 31 March 2015, generating an income of HK$2.2 million. The number of turns at the photo-taking machines in P+Closet paid by visitors was 5,692 and the income from the selling of tokens and rental of apparel or accessory items were HK$0.4 million and HK$53,119, respectively, during the period from 1 January to 31 March 2015.

Shanghai Joypolis targets the young population in China and provides thrilling animation amusement rides and an exciting interactive experience by creating a fantasy world presenting an intense digital animation experience enabled by video production through the "DigitaReal" technology. Thorough testing of the equipment in *Shanghai Joypolis* is expected to be completed by the end of 2015.

The Group has obtained the approval from SEGA for the development of another *Joypolis* in China.

Licensing of animation characters

The Group has strong research and development capabilities in the creation and development of animation characters. Through acquisitions or self-development, it owns the intellectual property rights of several popular proprietary animations such as "*Han Ba Gui*" (憨八龜), "*Violet*" (紫嫣), "*Animal Conference on the Environment*" (動物環境會議) and "*The Amazing UU*" (神奇的優悠). The most popular amongst these is "*Violet*" (紫嫣), the first virtual artist which performed bi-dialectal music animation concert in China by applying three dimensional (3D) mixed reality (MR) technologies. The Group has also entered into agreements with three licensees for the production and sale of certain categories of products featuring its proprietary animation characters in China. In addition to the non-refundable consultancy fee received from these licensees agreement. The Group also charges an annual royalty fee with reference to an agreed amount of a certain percentage of the revenue from sales of the relevant products whichever is higher.

Multimedia animation entertainment

"*Violet*" (紫嫣) has appeared as a guest and performed in a 2015 New Year countdown show held in an outdoor theme park in Shenzhen, which was also broadcasted over a television channel in Guangdong Province, China enabling the audience to enjoy virtual experience. "*Violet*" (紫嫣) hosted her first animation concert applying 3D MR technology on 1 February 2015 at the *China Resources Shenzhen Bay Sports Centre Spring Cocoon Stadium*. In addition, five animation games with "*Violet*" (紫嫣) as the leading role has been launched since May 2015, including two virtual reality games, two mobile games and one online game via Internet.

Commercialisation of the proprietary animation characters

The Group has integrated its proprietary animation characters into different business segments and used them as the major theme characters in order to generate synergies among its businesses. As the animation characters become more popular in the PRC. "*Violet*" (紫嫣), an animation character developed by the Group, is being used in featuring animation games and the development of multimedia business with the new business concept of the Group of "Internet + Animation Games + E-commerce" concept.

The Group has also leveraged the healthy and energetic image of its animation characters to participate in national and community events. For example, "*Violet*" (紫嫣) has been used as part of the pre-school education programmes at kindergartens in Beijing since May 2015. Furthermore, "*Violet*" (紫嫣) and another popular animation characters of the Group, such as "*Han Ba Gui*" (憨八龜), "*Violet*" (紫嫣), "*Animal Conference on the Environment*" (動物環境會議) and "*The Amazing UU*" (神奇的優悠) are used in a road safety promotion campaign launched in Shenzhen, the PRC. These animation characters also participated in a series of community education programmes through animation movies and drama.

FINANCIAL REVIEW

The following sets forth a summary of the performance of the Group during the year ended 31 March 2015 with comparative figures as follows:

	Year ended 31 March	
	2015	2014
Revenue *(HK$'000)*	**488,283**	338,744
Gross profit *(HK$'000)*	**186,935**	165,451
Gross profit margin *(%)*	**38.3%**	48.8%
Listing expenses *(HK$'000)*	**56,706**	5,554
Other expenses *(HK$'000)*	**753**	–
Profit attributable to the owners of the Company *(HK$'000)*	**75,632**	130,602

Revenue

The revenue increased by HK$149.6 million, or 44.2%, from HK$338.7 million for the year ended 31 March 2014 to HK$488.3 million for year ended 31 March 2015. The increase was primarily due to a revenue increase of HK$198.0 million in the trading of animation derivative products, a revenue increase of HK$8.5 million from the establishment and operation of indoor animation amusement park, as well as an increase of HK$1.6 million from multimedia animation entertainment and an decrease of HK$58.6 million in revenue from the licensing of animation characters.

Trading of animation derivative products

The revenue from trading of animation derivative products increased by 80.8% from HK$245.1 million for the year ended 31 March 2014 to HK$443.1 million for the year ended 31 March 2015 primarily due to an increase in sales volume, which primarily resulted from increased sales to one of the major customers. The Group also has acquired new customers during the year ended 31 March 2015.

Licensing of animation characters

The revenue from licensing of animation characters decreased by HK$58.6 million from HK$73.6 million for the year ended 31 March 2014 to HK$15.0 million for the year ended 31 March 2015. The decrease of the revenue from licensing income was mainly due to the restructuring of the Group's business model of the licensing business by licensing the animation characters to a number of licensees (2014: one licensee).

Establishment and operation of indoor animation amusement park segment

The revenue from establishment and operation of indoor animation amusement park increased by 42.5% from HK$20.0 million for the year ended 31 March 2014 to HK$28.5 million for the year ended 31 March 2015, which mainly included the joining fees of HK$25.0 million from the Group's joint venture in operating of other *Joypolis*. The Group also recorded ticket sales from its exhibition at the *Shenzhen Cartoon and Animation Festival 2014* (深圳動漫節2014) and the first phase of *Shanghai Joypolis*.

Multimedia animation entertainment

The revenue from multimedia animation entertainment increased by HK$1.6 million from nil for the year ended 31 March 2014 to HK$1.6 million for the year ended 31 March 2015. The revenue from multimedia animation entertainment included HK$0.4 million from ticket sales for "*Violet*" (紫嫣)'s concert held in *Shenzhen Cartoon and Animation Festival 2014* (深圳動漫節2014) and HK$1.2 million concert income in respect of the first large-scale animation concert of "*Violet*" (紫嫣) performed on 1 February 2015 in Shenzhen, the PRC.

Cost of sales and services

The cost of sales and services increased by HK$128 million, or 73.9%, from HK$173.3 million for the year ended 31 March 2014 to HK$301.3 million for the year ended 31 March 2015. The increase was primarily due to the increase in the purchase of manufactured animation derivative products from the Group's suppliers corresponding to increase in sales volume and the cost of relating to *Shanghai Joypolis*.

Gross profit and gross profit margin

The Group's gross profit increased by HK$21.4 million, or 12.9%, from HK$165.5 million for the year ended 31 March 2014 to HK$186.9 million for the year ended 31 March 2015. The Group's gross profit margin decreased from 48.8% for the year ended 31 March 2014 to 38.3% for the year ended 31 March 2015. The increase in the gross profit was mainly due to the increase in the trading of animation derivative products. The decrease in gross profit margin was primarily due to the fact that the Group had received a lump sum license fee for the year ended 31 March 2014 which did not have any cost associated with it.

Other income

Other income increased by HK$199,000 from HK$13,000 for the year ended 31 March 2014 to HK$212,000 for the year ended 31 March 2015. The increase in other income was primarily due to the commission income received from the exhibition at the *Shenzhen Cartoon and Animation Festival 2014* (深圳動漫節 2014) and income received from the design and provision of animation-related emotion icons featuring the Group's proprietary animation characters for use in computer software and mobile applications.

Selling and distribution expenses

The selling and distribution expenses increased by HK$0.3 million, or 9.1%, from HK$3.3 million for the year ended 31 March 2014 to HK$3.6 million for the year ended 31 March 2015. The Group's selling and distribution expenses as a percentage of revenue decreased from 1.0% for the year ended 31 March 2014 to 0.7% for the year ended 31 March 2015.

Listing expenses

The total amount of the expenses increased by HK$51.1 million from HK$5.6 million for the year ended 31 March 2014 to HK$56.7 million for the year ended 31 March 2015. The increase in the Listing expenses incurred was mainly due to the final settlement of the fees payable to the professional parties (in the agreed amounts set forth in the respective engagement letters) and the additional incentive payment paid to a member of the underwriting syndicate of the global offering following completion of the global offering in March 2015. The total amount incurred was HK$56.7 million and was higher than the estimated amount set forth in the prospectus of the Company dated 28 February 2015 of HK$35.3 million.

Profit attributable to the owners of the Company

The profit attributable to the owners of the Company decreased by HK$54.9 million, or 42.0%, from HK$130.6 million for the year ended 31 March 2014 to HK$75.7 million for the year ended 31 March 2015. The decrease was primarily due to the increases in the expenses incurred by the Group for its business operations and in particular, the expenses incurred for the Listing during the year ended 31 March 2015. Such expenses are non-recurring in nature, and most of them were accounted for in the financial statements of the Group for the year ended 31 March 2015. Without taking into account the expenses for the Listing and the one-off deferred licensing income of HK$41.7 million from Zing Company Ltd. which was recognised as revenue for the year ended 31 March 2014, the normalised profit attributable to the owners of the Group would be HK$132.3 million, representing an increase of 40%, as compared to HK$94.5 million for the year ended 31 March 2014.

With the business plans and business initiatives undertaken by the Group following the Listing, the Directors are very positive on the business prospects of the Group.

BUSINESS PROSPECTS

Looking ahead, in addition to the core business of trading toys, the Group will continue to expand its animation amusement park business and the multimedia animation entertainment business. The multimedia animation entertainment business includes online animation games, movies and television and online entertainment programmes, online platform and other entertainment and mobile applications focusing on a series of animation characters. New technology, such as the VR technology, will be used for the purpose of promoting different business segments with synergistic benefits.

Movie and television programmes

Alongside the economic growth in China, the consumption level amongst the population in China on entertainment and cultural activities is increasing. China has become the second largest movie market in the world. According to the information of State Administration of Press, Publication, Radio, Film and Television, China's total box office receipts have grown at a faster pace in 2014. Moreover, driven by the fast development in the animation industry and the increasing popularity of the animation characters across a wide range of business applications, the animation industry continues to grow at a strong momentum.

The movie of *Galaxy Girl* (銀河少女) starring "*Violet*" (紫嫣) is under production and is expected to be completed in the fourth quarter of 2016, "*Violet*" (紫嫣), the Group's virtual artist, will be the movie's leading actress. In addition, a total of 20 episodes of the *Galaxy Girl* (銀河少女) animation television programme are in the planning stage. The television programmes are expected to be completed in the first quarter of 2016 and will be broadcasted in China and Japan.

The Group has also invested and currently co-produces the animation movies of The King of *Tibetan Antelope* (藏羚王), *Where Are You Going, Baby?* (寶貝去哪兒) and *Project Egg* (蛋計劃), which are to be launched and released in China during the period between the fourth quarter of 2015 and the second quarter of 2016. These plans were finalised in April and May 2015. The Directors believe that the successful listing on the Stock Exchange enables the Group to explore all these opportunities, and the Group is expected to enjoy benefits from the booming development of the film and the animation industries in China.

Online entertainment and mobile applications

On the online business, "*Violet*" (紫嫣) has successfully penetrated the animation game industry, boosting the Group's multimedia entertainment business following the new business concept of the Group of "*Internet, Animation Games & E-commerce*". The Group will launch five animation games with "*Violet*" (紫嫣) as the key role from May to July 2015. Two animation games were launched at the *11th China (Shenzhen) International Cultural Industries Fair 2015* using the "virtual reality" technology. The "*Violet*" (紫嫣) online games are to be released on the new emerging trendy e-commerce platform "Hui10". The Group will work with "Hui10" for the launch of the "Hui10 + Violet UnionPay Card", with "*Violet*" (紫嫣) as the theme character which fully portrays the unique trendy and high technology image of "*Violet*" (紫嫣). In addition, the game reward system of "Violet UnionPay Card" is expected to further expand to the Group's online animation entertainment platform with a combination of entertainment business and payment/consumption convenience. With the new business concept of "*Internet + Animation Games + E-commerce*" concept, the Group is planning to further expand its online business with dedicated websites for animation game development. This may involve cooperation or acquisition of Internet businesses in the target markets of the Group through different means and strategically alliances.

Promotion of the virtual reality ("VR") technology

The Group uses VR technology to create an animation game environment, thereby generating potential opportunities and strong development momentum. As part of its efforts, the Group plans to open six VR gaming experience centres in China by the end of 2015, which will provide VR games and wearable devices themed with its proprietary animation characters. The first of these centres will be next to *Shanghai Joypolis*. The visitors will wear VR glasses and they will experience a 360-degree VR experience to access the virtual three-dimensional environment and enjoy a multi-sensory interaction. In addition, users can purchase VR wearable devices, upload and download the game applications through the Group's exclusive websites, enabling them to enjoy a new VR interactive experience at any time.

Indoor animation amusement park

Phase I of *Shanghai Joypolis* opened on 30 December 2014 and the grand opening is scheduled in the first quarter of 2016. The Group has obtained the approval from SEGA for the development of another *Joypolis* in China.

Commercialisation of animation characters

While the existing animation business and animation character toys business remain as its core businesses, the Group is accelerating the development of animation characters and plans to expand the commericalisation of the animation characters into the mobile game segment through different media.

"*Violet*" (紫嫣) will represent China at the *56th International Art Exhibition – La Biennale di Venezia* to be held at the Giardini, the Arsenide and various locations in the City of Venice, Italy, during the period between May and November 2015. In addition, the Group will participate *Ani-Com & Games Hong Kong* in July 2015 and *Gamescom* in Cologne, Germany in August 2015 for the promotion of "*Violet*" (紫嫣) and the VR animation games and the animation characters of the Group. The Group will promote the products derived from "*Violet*" (紫嫣) outside the PRC through different media and music as well as virtual reality (VR) and MR technologies.

The Group also continues to explore business opportunities relating to Internet business which may facilitate the development and commercialisation of its animation business and animation characters. Moreover, the Group continues supporting and cooperating with the PRC government to develop the cultural industry. The Group's efforts in this direction continue to enhance the popularity of "*Violet*" (紫嫣) and other proprietary animation characters to further penetrate the market. Leveraging its research and development team as well as implementing strategic cooperation, its product content and value will be enhanced which in turn bolster the Group's overall competitiveness in the animation entertainment business across different media. The Group's business plans and principles have been carefully evaluated and are expected to promote its business. The Directors are therefore very positive on the business prospects of the Group.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

On 12 March 2015, the Company has received net proceeds of HK$298.6 million after deducting the underwriting fee and commissions and relevant expenses in connection with the Listing. As of 31 March 2015, a total amount of HK$16.0 million out of the net proceeds had been used by the Group. The unutilised net proceeds from the Global Offering have been deposited with a licensed bank in Hong Kong. The following sets forth a summary of the utilisation of the net proceeds:

	Original planned allocation of net proceeds from the Global Offering		**Actual utilised as of 31 March 2015**	**Unutilised as of 31 March 2015**
	%	*HK$ million*	*HK$ million*	*HK$ million*
For contribution (in the percentage of 51%) for the capital expenditure and the working capital for *Shanghai Joypolis* and for use in planning the next Joypolis, subject to the approval by SEGA	40.0	128.5	–	128.5
For possible investment in, acquisition of, and/or formation of strategic cooperation with, domestic or international companies which operate animation-related businesses, including without limitation, animation-related event organisers, mobile and internet applications developers and animation-related multi-media platforms, subject to the approval of the investment committee of the Board	30.0	96.4	–	96.4
For the development, production and technical enhancement of music animation concerts and the related promotional and marketing activities and the development of consignment sales business	20.0	64.2	–	64.2
For working capital and general corporate purposes	10.0	32.1	16.0	16.1
Total	**100.0**	**321.2**	**16.0**	**305.2**

FINAL DIVIDEND

The Directors has not recommended distribution final dividends for the year ended 31 March 2015 because the Directors intend to retain use the financial resources for the business development of the Group.

OTHER INFORMATION

The Company issued the prospectus on 28 February 2015 for the purpose of the global offering and the listing of the Shares on the Stock Exchange. Dealings in the Shares on the Stock Exchange commenced on 12 March 2015.

CHANGE OF NAME OF THE COMPANY AND APPOINTMENT OF EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS

On 17 February 2015, the Group has changed its name from "China Animation Group (Holding) Limited" to "China Animation Characters Company Limited."

On 20 November 2014, Mr. ZHUANG Xiangsong was re-designated as an Executive Director and the Chief Executive Officer of the Group and Mr. TING Ka Fai Jeffrey and Ms. LIU Moxiang were appointed as Executive Directors. The three Executive Directors possess extensive experience and knowledge of the toy industry and sales. On the same day, Mr. NI Zhenliang, Mr. TSANG Wah Kwong and Mr. HUNG Muk Ming were appointed as the Independent Non-executive Directors.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has continued to maintain a good liquidity position without drawing any loans or borrowing during the year. As of 31 March 2015, the Group had a net cash and cash equivalent balance of HK$339,017,000 (2014: HK$86,020,000).

During the year ended 31 March 2015, in addition to the nature of business with strong cash inflows, the Group also received financing from the Listing. The Listing has provided a source of funds to strengthen the capital base of the Group and enhance its business development.

TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the year ended 31 March 2015. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage the liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

CAPITAL EXPENDITURE

The total capital expenditure of the Shanghai Joypolis is expected to be RMB175.9 million (equivalent to HK$219.9 million) as of 31 March 2015. As of 31 March 2015, the Group has paid deposits for acquisition of game machineries for Shanghai Joypolis amounting to HK$119.1 million and construction in progress of approximately HK$45.5 million as included in the consolidated statement of financial position.

GEARING RATIO

Gearing ratio is not included in the analysis because the Group did not have any borrowing during the year and as of 31 March 2015.

SIGNIFICANT INVESTMENTS HELD

The Group did not hold any significant investment in equity interest in any third party companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2015, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies, save as disclosed in the Prospectus.

CAPITAL STRUCTURE

The Shares has been listed on Main Board of the Stock Exchange on 12 March 2015. There has been no change in the capital structure of the Company since that date. The capital of the Company comprises ordinary shares and capital reserves.

CAPITAL COMMITMENTS

As of 31 March 2015, capital commitments of the Group amounted to HK$55.3 million (2014: HK$219.9 million).

MORTGAGES AND PLEDGES

As of 31 March 2015, the Group did not have significant mortgages and pledges. (2014: NIL).

CONTINGENT LIABILITIES

Other than that disclosed in note 3, the Group did not have significant contingent liabilities as of 31 March 2015 (2014: NIL).

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEES AND REMUNERATION POLICIES

As of 31 March 2015, the Group had 61 employees (2014: 46 employees). For the year ended 31 March 2015, the employees' remuneration and benefits in kind and contribution to the pension scheme (including the Directors' remuneration and benefits in kind and contribution to the pension scheme) amounted to approximately HK$8,901,000 (2014: HK$3,674,000). The increase was mainly attributable to the increment of approximately HK$3,005,000 in employee remuneration and the increment of approximately HK$2,222,000 in the Directors' remuneration. The Group's remuneration package is determined with reference to the experience and qualification of the individual employees and the general market conditions. The Group also ensures that all employees are provided with adequate training and continued professional opportunities according to their needs. A share option scheme has been established to provide incentives and remuneration to eligible Directors and employees of the Group in recognition of their contributions. As of 31 March 2015 and the date of this announcement, no option has been granted.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CLOSURE OF THE REGISTER OF MEMBERS

To determine the eligibility of the shareholders of the Company to attend the annual general meeting to be held on 28 August 2015, the register of members will be closed from 26 August 2015 to 28 August 2015, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant Share certificates must be lodged with the Company's Hong Kong branch share registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 pm on 25 August 2015.

CORPORATE GOVERNANCE PRACTICE

The Company has applied the principles and complied with all the applicable code provisions (the "**Code Provisions**") of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. From the Listing Date, i.e. 12 March 2015, to the date of this announcement, save as the matters disclosed in the announcement of the Company dated 29 June 2015 on advances to an entity and a discloseable transaction, the Company has complied with the Code Provisions. The Directors will review the Company's Corporate Governance policies and compliance with the Code Provisions from time to time.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") set forth in Appendix 10 to the Listing Rules has been adopted as a code governing the securities transactions for Directors. Having made specific enquiries, all of the Directors have confirmed that they have complied with the required standard as set forth in the Model Code from the Listing Date, i.e. 12 March 2015 to the date of the Board meeting approving the annual results announcement for the year ended 31 March 2015.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Board consists of three independent non-executive Directors, namely Mr. TSANG Wah Kwong (Chairman), Mr. HUNG Muk Ming and Mr. NI Zhenliang. The Company's annual results for the year ended 31 March 2015 have been reviewed by the audit committee. The audit committee of the Board has met the auditors of the Company, Deloitte Touche Tohmatsu in reviewing the Group's results for the year ended 31 March 2015.

The audit committee of the Board has reviewed with the management the Company's consolidated financial statements and the accounting principles and practices adopted by the Group and has discussed internal controls and financial reporting matters for the year ended 31 March 2015.

SCOPE OF WORK ON PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITOR

The figures in respect of the Group's results for the year ended 31 March 2015 as set out in this announcement have been agreed by the Group's independent auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement of results.

GENERAL INFORMATION

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

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

This results announcement is published on the Company's website (*www.animatechina.com*) and the website of the Stock Exchange (*www.hkexnews.hk*). The annual report of the Company for the year ended 31 March 2015 containing all information required by the Listing Rules will be despatched to the Shareholders and published on the above websites in due course.

By order of the Board
CHINA ANIMATION CHARACTERS COMPANY LIMITED
ZHUANG Xiangsong
Chief Executive Officer and Executive Director

Hong Kong, 29 June 2015

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