

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

ADVANCES TO AN ENTITY AND DISCLOSEABLE TRANSACTION

The Company has been listed on the Stock Exchange on 12 March 2015. As disclosed in the Prospectus, the Group does not have any manufacturing capability and relies on third-party suppliers to source the animation derivative products (including general plastic toys, food-grade toys and other products) for its customers. Sino Action was the largest supplier of the Group during the Track Record Period. Pursuant to the Integrated Supply Agreement, Sino Action is engaged by the Group to be the supplier of the animation derivative products produced by Wah Shing. Sino Action is responsible for coordinating the purchase orders, sourcing of the major raw materials (including plastic materials and paint and product packaging materials) and manufacturing of the animation derivative products by Wah Shing.

The Group had made a total of 17 advances to Sino Action during the period from 25 February 2015 to 31 March 2015 in the total amount of HK\$97,830,000. The advances were made out of the internal financial resources of the Group. There have been no further advances made by the Group after 31 March 2015. All of these advances are interest-free with no fixed repayment term (until the entering into the Cooperative Agreement) and have been solely used by Sino Action for the purpose of purchasing the plants and machineries to support the increasing production volume of the animation derivative products for the Group under the Integrated Supply Agreement. As of the date of this announcement, Sino Action has repaid HK\$37,687,500 and hence, the current balance of the advances by the Group to Sino Action is HK\$60,142,500 as of the date of this announcement.

Pursuant to Rule 13.13 of the Listing Rules, a general disclosure obligation arises where the relevant advance to an entity (as defined under Rule 13.11(2) of the Listing Rules) by any member of the Group exceeds eight per cent. of the assets ratio (as defined under Rule 14.07(1) of the Listing Rules). Rule 13.14 requires a further announcement be made if the advance balance is increased by three per cent. or more of the assets ratio. This is the announcement issued by the Company pursuant to Rules 13.13 and 13.14 of the Listing Rules.

Based on the audited consolidated total assets of the Group as of 31 August 2014 of HK\$312.4 million as set forth in the Prospectus, the accumulated balance of the advances to Sino Action by the Group exceeded eight per cent. of the total assets on 16 March 2015. As of the date of this announcement, the balance of the advances to Sino Action of HK\$60,142,500 represents 19.3% of the audited consolidated total assets of the Group as of 31 August 2014. Taking into consideration the net proceeds from the global offering of HK\$298.6 million, the balance of the advances to Sino Action as of the date of this announcement represents 9.8% of the total assets of the Group plus the net proceeds from the global offering. Based on the total assets of the Group as of 31 March 2015, the balance of the advances to Sino Action as of the date of this announcement represents 8.4% of its total assets.

BACKGROUND INFORMATION

The Company has been listed on the Stock Exchange on 12 March 2015. As disclosed in the Prospectus, the Group does not have any manufacturing capability and relies on third-party suppliers to source the animation derivative products (including general plastic toys, food-grade toys and other products) for its customers. Sino Action was the largest supplier of the Group during the Track Record Period. Pursuant to the Integrated Supply Agreement, Sino Action is engaged by the Group to be the supplier of the animation derivative products produced by Wah Shing. Sino Action is responsible for coordinating the purchase orders, sourcing of the major raw materials (including plastic materials and paint and product packaging materials) and manufacturing of the animation derivative products by Wah Shing.

The amount of purchase from Sino Action during the Track Record Period accounted for 96.7%, 95.8%, 61.6% and 87.8% of the total cost of sales and services of the Group, respectively. With the growth of the trading business of animation derivative products of the Group, the Directors anticipate that the Group would continue to source a significant amount of animation derivative products from Sino Action. Sino Action has from time to time indicated to the Group that it would require substantial amount of investment in the production facilities (to be installed at Wah Shing) to support the growing business with the Group.

ADVANCES TO SINO ACTION

In light of the ongoing business relationship under the Integrated Supply Agreement, which is legally binding between the Group and Sino Action, and the fact that the animation derivative products produced by Sino Action are of good quality to the satisfaction of the customers of the Group, the Group has, during the period from 25 February 2015 to 31 March 2015, made various advances to Sino Action for the sole purpose of facilitating Sino Action to purchase plants and machineries for the production of the animation derivative products of the Group. Such advances are interest-free and with no fixed repayment schedule (until the entering into the Cooperative Agreement). As of 18 February 2015, being the latest practicable date set forth in the Prospectus, the Group did not make any advance to Sino Action.

The Group had made a total of 17 advances to Sino Action during the period from 25 February 2015 to 31 March 2015 in the total amount of HK\$97,830,000. The advances were made out of the internal financial resources of the Group. There have been no further advances made by the Group after 31 March 2015. All of these advances are interest-free with no fixed repayment term (until the entering into the Cooperative Agreement) and have been solely used by Sino Action for the purpose of purchasing the plants and machineries to support the increasing production volume of the animation derivative products for the Group under the Integrated Supply Agreement. As of the date of this announcement, Sino Action has repaid HK\$37,687,500 and hence, the current balance of the advances by the Group to Sino Action is HK\$60,142,500 as of the date of this announcement.

On 16 March 2015, for the purpose of recording the terms and conditions of the advances to Sino Action and following arm's length discussions, the Cooperative Agreement was entered into confirming that the advances were made to Sino Action even though all the payments were actually made to Arto Design for and on behalf of Sino Action for the purpose of settlement of the purchase price of the plants and machineries by Sino Action. The Cooperative Agreement also contains a repayment term that Sino Action has agreed to repay HK\$25,000,000 before 31 March 2015 and that remaining balance must be settled by Sino Action in full by way of cash to China Theme Park HK before 31 October 2015. The Cooperative Agreement also provides that the Group shall have the right to apply any overdue amount from Sino Action against the trade payable by the Group to Sino Action for the purchase of the animation derivative products. The Cooperative Agreement is governed by Hong Kong laws. The Directors confirm that Sino Action has settled HK\$25,187,500 on or before 31 March 2015 and has repaid a further amount of HK\$12,500,000 up to the date of this announcement. Hence, the balance of the advances by the Group to Sino Action is HK\$60,142,500 as of the date of this announcement. The Directors (including all the independent non-executive Directors) further confirm that the amount of the unsettled trade payable due by the Group to Sino Action as of the date of this announcement is more than the current balance of the advances to Sino Action.

REASONS FOR MAKING ADVANCES TO SINO ACTION

Because of the increased production volume of the animation derivative products required by customers of the Group, the Group has increased the purchase orders placed to and volume of purchase of animation derivative products from Sino Action within a short period of time. The production facilities of Sino Action (through the arrangements with Wah Shing) have already been approved for production of those products required by the customers of the Group, and

the Directors therefore consider that the continued engagement with Sino Action, rather than engaging other suppliers, is appropriate for the expeditious production requirements for the customers of the Group. From this perspective, the Directors (including all the independent non-executive Directors) believe that the advances to Sino Action for its purchase of plants and machineries for the production of the Group's products have genuine business reasons for the benefit of the Group and have no material risks to the Group. This is particularly relevant that the Integrated Supply Agreement and the Cooperative Agreement have been entered into for the purpose of the production by Sino Action and the advances to it, respectively. The advances would not result in any additional cost borne by the Group or otherwise affect the future business plans of the Group as set forth in the Prospectus. The Directors (including all the independent non-executive Directors) confirm that the amount of the unsettled trade payable due by the Group to Sino Action as of the date of this announcement is more than the current balance of the advances to Sino Action.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 13.13 of the Listing Rules, a general disclosure obligation arises where the relevant advance to an entity (as defined under Rule 13.11(2) of the Listing Rules) by any member of the Group exceeds eight per cent. of the assets ratio (as defined under Rule 14.07(1) of the Listing Rules). Rule 13.14 requires a further announcement be made if the advance balance is increased by three per cent. or more of the assets ratio. This is the announcement issued by the Company pursuant to Rules 13.13 and 13.14 of the Listing Rules.

Based on the audited consolidated total assets of the Group as of 31 August 2014 of HK\$312.4 million as set forth in the Prospectus, the accumulated balance of the advances to Sino Action by the Group exceeded eight per cent. of the total assets on 16 March 2015. As of the date of this announcement, the balance of the advances to Sino Action of HK\$60,142,500 represents 19.3% of the audited consolidated total assets of the Group as of 31 August 2014. Taking into consideration the net proceeds from the global offering of HK\$298.6 million, the balance of the advances to Sino Action as of the date of this announcement represents 9.8% of the total assets of the Group plus the net proceeds from the global offering. Based on the total assets of the Group as of 31 March 2015, the balance of the advances to Sino Action as of the date of this announcement represents 8.4% of its total assets.

The advances also constitute financial assistance provided by the Group to Sino Action which constitutes a "transaction" under Chapter 14 of the Listing Rules. Based on the balance of the advances to Sino Action as of the date of this announcement, the other applicable percentage ratio, i.e. consideration ratio, is more than five per cent but less than 25.0%, the advances to Sino Action constitute a discloseable transaction for the Company.

In light of the above factual circumstances and the fact that Sino Action has repaid part of the advances to the Group, the Directors (including all the independent non-executive Directors), taking into consideration the above, are of the view that the advances have no material adverse impact on the financial position of the Group and that the terms of the advances are fair and reasonable and in the interests of the Company's shareholders as a whole.

GENERAL INFORMATION

The Group is engaged in multi-line businesses in the animation-related industry, with the primary focus on the trading of animation derivative products (mainly toys) featuring renowned third-party owned animation characters for the Japanese market with the provision of value-added services.

None of the Directors nor their respective close associates held any interest in Sino Action and Arto Design, and none of the directors of Sino Action and Arto Design nor their respective close associates held any interest in the Company. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Sino Action and Arto Design and their ultimate beneficial owners are Independent Third Parties.

DEFINITIONS USED IN THIS ANNOUNCEMENT

Unless the context requires otherwise, the capitalised terms used herein shall have the meanings set forth below:

“Arto Design”	means Arto Design Construction Limited, a contractor appointed by Sino Action and an Independent Third Party and one of the parties to the Cooperative Agreement;
“associates”	has the meaning ascribed to it under the Listing Rules;
“Board”	means the board of Directors;
“China Theme Park HK”	means China Theme Park Incorporation Limited (華夏樂園有限公司), a limited company incorporated in Hong Kong on 16 October 2012 and a wholly-owned subsidiary of the Company;
“Company”	means China Animation Characters Company Limited (華夏動漫形象有限公司), a company incorporated in the Cayman Islands on 25 September 2013 with the Shares listed on the Stock Exchange;
“Cooperative Agreement”	means the cooperative agreement (合作協議書) dated 16 March 2015 entered into between Sino Action, China Theme Park HK, and Arto Design in respect of all advances made by the Group to Sino Action during the period from 25 February 2015 and 31 March 2015;
“Directors”	means the directors of the Company;
“Group”	means the Company and its subsidiaries;
“Hong Kong”	means The Hong Kong Special Administrative Region of the People's Republic of China;

“Independent Third Party”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders of our Company or our subsidiaries, or any of their respective associates;
“Integrated Supply Agreement”	means the integrated supply agreement dated 12 November 2014 and entered into between the Group and Sino Action;
“Listing Rules”	means The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
“Prospectus”	means the prospectus issued by the Company on 28 February 2015;
“Shares”	means the shares of the Company with nominal value of HK\$0.1 each;
“Sino Action”	means Sino Action Industrial Limited (華益實業有限公司), a company incorporated in Hong Kong on 5 March 1996 and an Independent Third Party;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Track Record Period”	means the track record period referred to in the Prospectus, i.e. the three years ended 31 March 2014 and five months ended 31 August 2014;
“Wah Shing”	means 深圳龍崗區橫崗保安華盛塑膠玩具廠 (Shenzhen Longgang Baoan Wah Shing Plastic Toy Factory*), a collectively-owned enterprise established in the PRC on 29 June 1992; and
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong.

By order of the Board
China Animation Characters Company Limited
ZHUANG Xiangsong
Executive Director and Chief Executive Officer

Hong Kong, 29 June 2015

As of the date of this announcement, the executive directors of the Company are Mr. ZHUANG Xiangsong, Mr. TING Ka Fai Jeffrey and Ms. LIU Moxiang, and the independent non-executive directors of the Company are Mr. NI Zhenliang, Mr. TSANG Wah Kwong and Mr. HUNG Muk Ming.

* *for identification purpose only*