华夏动漫集团

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: 1566)

FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2016

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2016 as follows:

- Revenue was HK$544.9 million for the year ended 31 March 2016, representing an increase of 11.6% compared with HK$488.3 million for the year ended 31 March 2015.

- Gross profit was HK$168.1 million for the year ended 31 March 2016, representing a decrease of 10.1% compared with HK$186.9 million for the year ended 31 March 2015. Gross profit margin for the year ended 31 March 2016 was 30.8%, representing a decrease of 19.6% compared with 38.3% for the year ended 31 March 2015.

- Profit attributable to the owners of the Company was HK$110.4 million, representing an increase of 46.0% compared with HK$75.6 million for the year ended 31 March 2015.

- Basic earnings per Share amounted to 13 HK cents for the year ended 31 March 2016, representing an increase of 8.3% compared with 12 HK cents for the year ended 31 March 2015.

The Board proposes a final cash dividend of 1.0 HK cent per Share for the year ended 31 March 2016.

The board (the "**Board**") of directors (the "**Directors**") of China Animation Characters Company Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company (which together with its subsidiaries, the "**Group**") for the year ended 31 March 2016, together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

	NOTES	**2016** *HK$'000*	2015 *HK$'000*
Revenue	*3*	**544,880**	488,283
Cost of sales and services		**(376,764)**	(301,348)
Gross profit		**168,116**	186,935
Other income		**2,977**	212
Selling and distribution expenses		**(19,694)**	(3,590)
Administrative expenses		**(47,474)**	(30,958)
Gain on held-for-trading investments		**17,800**	–
Exchange loss on pledged bank deposit and held-to-maturity investment		**(5,581)**	–
Finance costs		**(805)**	–
Other expense		**(1,598)**	(753)
Listing expenses		**–**	(56,706)
Profit before taxation		**113,741**	95,140
Taxation	*4*	**(15,351)**	(23,169)
Profit for the year	*5*	**98,390**	71,971
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign subsidiaries		**1,347**	91
Total comprehensive income for the year		**99,737**	72,062
Profit (loss) for the year attributable to:			
Owners of the Company		**110,372**	75,632
Non-controlling interests		**(11,982)**	(3,661)
		98,390	71,971
Total comprehensive income (expense) attributable to:			
Owners of the Company		**110,756**	75,723
Non-controlling interests		**(11,019)**	(3,661)
		99,737	72,062
Earnings per share	*7*		
– Basic (HK$)		**0.13**	0.12
– Diluted (HK$)		**0.13**	0.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**227,861**	102,908
Intangible assets		**24,254**	6,476
Held-to-maturity investment	8	**14,626**	–
Deposits for acquisition of property, plant and equipment		**204,593**	119,059
Deposit for acquisition of long term investment	9	**5,359**	–
		476,693	228,443
Current assets			
Trade receivables	10	**208,934**	64,940
Other receivables, deposits and prepayments		**12,974**	9,825
Prepayment to a game developer		**20,000**	–
Advances to a supplier	11	**–**	72,643
Held-for-trading investments	12	**67,560**	–
Pledged bank deposit	13	**95,264**	–
Bank balances and cash		**81,619**	339,017
		486,351	486,425
Current liabilities			
Trade payables	14	**16,529**	36,424
Other payables and accruals	15	**24,269**	39,640
Amount due to a director		**39,027**	–
Tax payable		**98,184**	83,594
Secured bank borrowings	16	**94,550**	–
		272,559	159,658
Net current assets		**213,792**	326,767
Net assets		**690,485**	555,210
Capital and reserves			
Share capital		**85,822**	42,911
Reserves		**584,600**	515,347
Equity attributable to owners of the Company		**670,422**	558,258
Non-controlling interests		**20,063**	(3,048)
Total equity		**690,485**	555,210

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 September 2013 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its parent and ultimate holding company is Bright Rise Enterprises Limited. Its ultimate controlling shareholder is Mr. Zhuang Xiang Song (the "**Controlling Shareholder**"). The registered office of the Company is at Cricket Square, Hutchins Drive, PO BOX 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is Suites 2808-2811, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong Special Administrative Region, the People's Republic of China (the "**PRC**").

The Company is an investment holding company. The principal activities of its subsidiaries are engaged in the trading of animation derivative products, licensing of animation characters, establishment and operation of indoor theme park and multimedia animation entertainment.

The consolidated financial statements are presented in Hong Kong dollar ("**HK$**"), which is the same as the functional currency of the Company and its main subsidiaries.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[4]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKAS 7	Disclosure Initiative[5]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[5]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2019
[5] Effective for annual periods beginning on or after 1 January 2017

HKFRS 9 ***Financial Instruments***

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("**FVTOCI**") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 ***Revenue from Contracts with Customers***

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these financial statements. The Directors anticipate that the application of HKFRS 16 in the future will have a material impact on the Group's consolidated financial statements; however, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

The directors anticipate that the application of other new and revised standards will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from trading of animation derivative products, licensing of animation characters, establishment and operation of indoor theme park and multimedia animation entertainment in Hong Kong and the PRC during the year.

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 chief operating decision maker 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 theme 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:

	Trading of animation derivative products *HK$'000*	Licensing of animation characters *HK$'000*	Establishment and operation of indoor theme park *HK$'000*	Multimedia animation entertainment *HK$'000*	Total *HK$'000*
For the year ended 31 March 2016					
Segment revenue	**508,600**	**–**	**33,362**	**2,918**	**544,880**
Segment profit (loss)	**159,193**	**(1,010)**	**(12,932)**	**(9,143)**	**136,108**
Unallocated income					**20,777**
Unallocated expenses					**(43,144)**
Profit before taxation					**113,741**
For the year ended 31 March 2015					
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

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

	2016	2015
	HK$'000	*HK$'000*
Trading of animation derivative products	**186,995**	64,940
Licensing of animation characters	**594**	1,484
Establishment and operation of indoor theme park	**416,932**	184,213
Multimedia animation entertainment	**56,511**	2,942
Total segment assets	**661,032**	253,579
Property, plant and equipment	**41,707**	49,254
Other receivables, deposits and prepayments	**1,236**	375
Advances to a supplier	**–**	72,643
Held-to-maturity investment	**14,626**	–
Held-for-trading investments	**67,560**	–
Pledged bank deposit	**95,264**	–
Bank balances and cash	**81,619**	339,017
Consolidated assets	**963,044**	714,868

Segment liabilities

	2016	2015
	HK$'000	*HK$'000*
Trading of animation derivative products	**114,686**	121,979
Establishment and operation of indoor theme park	**14,965**	4,334
Multimedia animation entertainment	**2,040**	–
Total segment liabilities	**131,691**	126,313
Other payables and accruals	**7,291**	33,345
Amount due to a director	**39,027**	–
Secured bank borrowings	**94,550**	–
Consolidated liabilities	**272,559**	159,658

Segment assets represent certain property, plant and equipment, intangible assets, deposits for acquisition of plant and equipment, deposit for acquisition of long term investment, trade receivables, certain other receivables, deposits and prepayments and prepayment to a game developer 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.

	Trading of animation derivative products *HK$'000*	Licensing of animation characters *HK$'000*	Establishment and operation of indoor theme park *HK$'000*	Multimedia animation entertainment *HK$'000*	Segment total *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
2016							
Amounts included in the measurement of segment profit or loss and segment assets:							
Addition to non-current assets	**–**	**–**	**265,210**	**26,450**	**291,660**	**333**	**291,993**
Depreciation and amortisation	**–**	**890**	**4,465**	**1,234**	**6,589**	**7,842**	**14,431**
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:							
Interest income	**–**	**–**	**–**	**–**	**–**	**2,208**	**2,208**
Interest expense	**–**	**–**	**–**	**–**	**–**	**805**	**805**
Taxation	**13,311**	**–**	**2,040**	**–**	**15,351**	**–**	**15,351**
2015							
Amounts included in the measurement of segment profit or loss and segment assets:							
Addition to non-current assets	–	–	220,043	582	220,625	961	221,586
Depreciation and amortisation	–	890	535	250	1,675	7,742	9,417
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:							
Interest income	–	–	–	–	–	6	6
Taxation	23,169	–	–	–	23,169	–	23,169

Note: Addition to non-current assets excluded held-to-maturity investment.

Revenue from major products and services

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

	2016 *HK$'000*	2015 *HK$'000*
Trading of animation derivative products	**508,600**	443,122
Consultancy fee relating to licensing of animation characters	**–**	15,000
Joining fee from potential business partner for indoor theme park	**–**	25,000
Sales of admission tickets of indoor theme park and multimedia animation entertainment	**36,280**	5,161
Total revenue	**544,880**	488,283

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

	2016 *HK$'000*	2015 *HK$'000*
PRC	**35,246**	45,161
Hong Kong	**4,769**	17,788
Japan	**504,865**	425,334
	544,880	488,283

Non-current assets by geographical location

	2016 *HK$'000*	2015 *HK$'000*
PRC	**456,624**	221,847
Hong Kong	**5,443**	6,596
	462,067	228,443

Note: Non-current assets excluded held-to-maturity investment.

4. TAXATION

	2016	2015
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
Current tax	**28,993**	23,169
Overprovision in prior years	**(13,642)**	–
	15,351	23,169

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 subsidiaries is 25% from 1 January 2008 onwards. No provision for the PRC Enterprise Income Tax has been made for PRC subsidiaries as either the assessable profit is wholly absorbed by tax losses brought forward or no assessable profit is derived from the subsidiaries in the PRC during both years.

The Group had not notified 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 year of assessment 2008/09 in March 2014, the year of assessment 2009/10 in May 2014, the years 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, and after seeking professional advice, the directors believe that claim term of the years of assessment 2008/09 and 2009/10 have been expired under the six-year statutory time bar after the year ended 31 March 2016. Accordingly, the tax provision of approximately HK$13,642,000 for the years of assessment 2008/09 and 2009/10 was reversed during the year ended 31 March 2016.

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 at each 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$1,632,000 as of 31 March 2016 after considering the expired claim term of years of assessment 2008/09 and 2009/10 (2015: HK$2,283,000). 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 six years ended 31 March 2016 would be HK$96,915,000 after considering the overprovision of years of assessment 2008/09 and 2009/10 (2015: HK$84,366,000). As of 31 March 2016, the Group has made accumulated provision of HK$96,143,000 (2015: HK$83,594,000) 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.

5. PROFIT FOR THE YEAR

	2016	2015
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Staff costs:		
Directors' emoluments	**5,141**	2,222
Other staff costs		
Salaries and other benefits	**16,983**	6,258
Retirement benefits scheme contributions	**1,432**	421
Share-based payments expense	**386**	–
	23,942	8,901
Auditor's remuneration		
– audit services	**2,862**	2,370
– non-audit services	**1,110**	135
	3,972	2,505
Cost of inventories recognised as expenses	**343,949**	287,130
Depreciation of property, plant and equipment	**12,230**	8,047
Amortisation of intangible assets	**2,201**	1,370
Research and development costs recognised as an expense (included in cost of sales and services)	**1,541**	1,705
Operating lease rentals in respect of rented premises	**7,169**	6,210
Operating lease rentals in respect of rented vehicles	**130**	130
Net foreign exchange losses (gains)	**5,000**	(2)

6. DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
Dividends recognised as distributions during the year:		
– Bonus shares issued as interim scrip dividend	**42,911**	–
– Dividends declared to Controlling Shareholder *(Note)*	**–**	25,000
	42,911	25,000

Note: 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.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2016 of HK1 cent (2015: Nil) per ordinary share has been proposed by the Company and is subject to approval by the shareholders in the forthcoming general meeting.

7. EARNINGS PER SHARE

	2016	2015
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**110,372**	75,632

	2016	2015
	'000	*'000*
		(Restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**858,216**	638,478
Effect of dilutive potential ordinary shares:		
Over-allotment option from initial public offering	**–**	48
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**858,216**	638,526

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for both years presented are calculated based on the new number of shares and adjusted retrospectively, assuming that the bonus issue was conducted at the beginning of the fiscal year ended 31 March 2015.

The computation of diluted earnings per share for the year ended 31 March 2016 does not assume the exercise of the Company's share options as the exercise price of the share option was higher than the average market price for shares.

8. HELD-TO-MATURITY INVESTMENT

	2016	2015
	HK$'000	*HK$'000*
Listed bond security at amortised cost		
Listed on the Singapore Exchange Limited with a fixed coupon interest at 6.25% per annum and maturity date on 22 May 2017	**14,626**	–

Held-to-maturity investment is denominated in a currency other than the functional currency of respective group entity which it relates:

	2016	2015
	HK$'000	*HK$'000*
Renminbi ("RMB")	**14,626**	–

9. DEPOSIT FOR ACQUISITION OF LONG TERM INVESTMENT

In August 2015, the Group entered into a strategic partnership agreement and a supplemental agreement with an independent third party to enter into a long-term strategic alliance and partnership to collaborate across virtual reality technology projects. Deposit for acquisition of long term investment represents the consideration paid by the Group for acquisition of options, on a priority basis, to invest or co-invest in virtual reality technology projects and the deposit is refundable.

10. TRADE RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**208,934**	64,940

Included in the Group's trade receivables was trade balance with Harvest Progress International Limited, a shareholder of the Company, of HK$25,000,000 as at 31 March 2015. The Group allows a credit period ranging from 30 days to 90 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:

	2016	2015
	HK$'000	*HK$'000*
0 to 90 days	**143,194**	39,732
91 to 180 days	**40,448**	25,003
181 to 365 days	**25,289**	3
Over 365 days	**3**	202
	208,934	64,940

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by each customer. Limits attributed to customers are reviewed once a year. The trade receivables that are neither past due nor impaired are mainly due from those customers which have long-term relationship with the Group and the repayment history of these customers were good.

Included in Group's trade receivables are receivables with the following carrying amounts which are past due at the end of each reporting period for which the Group has not provided for impairment loss as there has not been a significant change in the credit quality and the settlements after the end of the reporting period from those debtors are satisfactory. The Group does not hold any collateral over these balances. Aging of trade receivables which are past due but not impaired:

	2016	2015
	HK$'000	*HK$'000*
31 to 60 days	**–**	2,065
61 to 90 days	**5**	1
Over 90 days	**65,740**	25,208
	65,745	27,274

The Group's trade receivables are denominated in currencies other than the functional currencies of the respective group entities are set out below:

	2016	2015
	HK$'000	*HK$'000*
United States Dollars ("US$")	**186,995**	39,940
RMB	**15,655**	–

11. ADVANCES TO A SUPPLIER

As at 31 March 2015, the amount represented 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 into in March 2015. The advances were 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.

Pursuant to a supplementary agreement entered into with the independent supplier in July 2015, the advances to the supplier of approximately HK$60,143,000 were settled by offsetting trade payables to the supplier and the remaining balance was settled by cash in July 2015.

12. HELD-FOR-TRADING INVESTMENTS

	2016	2015
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong	**67,560**	–

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

13. PLEDGED BANK DEPOSIT

Pledged bank deposit represents deposit pledged to a bank to secure banking facilities granted to the Group. The pledged bank deposit carries interest at market rate of 0.6% per annum. The deposit will be released within the next twelve months from the end of the reporting period. Accordingly, the amount is included in the current assets.

14. 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:

	2016	2015
	HK$'000	*HK$'000*
0 to 30 days	**16,365**	26,250
31 to 60 days	**164**	8,862
61 to 90 days	**–**	27
Over 90 days	**–**	1,285
	16,529	36,424

15. OTHER PAYABLES AND ACCRUALS

	2016	2015
	HK$'000	*HK$'000*
Other payables and accruals	**15,435**	36,321
Payable for acquisition of plant and equipment	**3,327**	–
Advanced receipts from customers	**2,240**	2,104
Salaries payables	**1,967**	1,104
Other tax payable	**1,300**	111
	24,269	39,640

16. SECURED BANK BORROWINGS

	2016	2015
	HK$'000	*HK$'000*
Secured bank borrowings which are repayable within one year	**94,550**	–

The Group's fixed-rate borrowings are subject to interest at 200 basis points over 3-month or 6-month London Inter-bank Offered Rate. The effective interest rates on the Group's borrowings were as follows:

	2016	2015
	%	*%*
Fixed-rate borrowings	**2.75**	N/A

The Group's bank borrowings that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	2016	2015
	HK$'000	*HK$'000*
US$	**94,550**	–

MANAGEMENT DISCUSSION AND ANALYSIS

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 business objective of the Group is to build a multimedia animation business in China and in this connection, it has been actively expanding its business during the year ended 31 March 2016, including the grand opening of *Shanghai JOYPOLIS*, the licensing of the proprietary animation characters and the development of multimedia animation entertainment business featuring the proprietary animation characters of the Group.

BUSINESS REVIEW

Trading of animation-derived products

The core business of the Group is trading of animation-derived products (mainly 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 markets. 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 would not provide such additional services to their customers.

Indoor theme park

The Group is the first licensed operator of *JOYPOLIS* in China. Phase I of *Shanghai JOYPOLIS* with a gross floor area of about 1,000 sq.m. was opened on 1 January 2015 and the grand opening of *Shanghai JOYPOLIS* of 8,239 sq.m. was opened on 6 February 2016. *Shanghai JOYPOLIS* is strategically located in a shopping complex in downtown Shanghai connected with convenient transportation network.

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 cutting-edge technology.

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.

Multimedia animation entertainment

The first Hong Kong concert of "*Violet*" (紫嫣), *Violet 2015 Hong Kong 3D Holographic Concert*, was successfully performed on 30 September 2015 at the Star Hall, International Trade & Exhibition Centre, Kowloon Bay. The Group used 3D MR technology in the concert, with creativity, music and animation culture. These let the concert audience feel the infinite vitality and energy of youth. The feedback from the concert audience was very encouraging. In addition, five animation games featuring "*Violet*" (紫嫣) have been launched since May 2015, including two virtual reality ("**VR**") games, two mobile games and one online game via Internet.

The Group opened the first VR gaming experience showroom in Shanghai in June 2015. The first VR gaming experience showroom includes a number of VR games and wearable devices featuring the proprietary animation characters of the Group. The first VR showroom of the Group is adjacent to the location of the *Shanghai JOYPOLIS*. Visitors of the Group's VR gaming experience showroom can wear VR glasses, and experience a 360-degree VR to access the virtual three-dimensional environment and enjoy a multi-sensory interaction experience. In addition, visitors can purchase VR wearable devices and download the game applications through the Group's website, so that they can enjoy the VR interactive gaming experience at any time. The second and the third VR gaming experience showrooms were opened in Shenzhen Central Book City (深圳中心書城) in July 2015 and in Changzhou in December 2015.

Commercialisation of the proprietary 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 commercialisation of the animation characters into the mobile game segment through different media.

"*Violet*" (紫嫣) attended the *56th International Art Exhibition – La Biennale di Venezia* held at the Giardini, the Arsenide and various places within the City of Venice, Italy, in July 2015. In addition, the Group participated *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 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. In the PRC, the Group continues to make contribution to the PRC government in developing the cultural industry. The Group's efforts 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 and 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 steadily promote its business.

FINANCIAL REVIEW

The following sets forth a summary of the performance of the Group during the year ended 31 March 2016 with comparative figures as follows:

	Year ended 31 March	
	2016	2015
Revenue *(HK$'000)*	**544,880**	488,283
Gross profit *(HK$'000)*	**168,116**	186,935
Gross profit margin *(%)*	**30.8%**	38.3%
Listing expenses *(HK$'000)*	**–**	56,706
Other expense *(HK$'000)*	**1,598**	753
Profit attributable to the owners of the Company *(HK$'000)*	**110,372**	75,632

Revenue

The revenue increased by HK$56.6 million, or 11.6%, from HK$488.3 million for the year ended 31 March 2015 to HK$544.9 million for the year ended 31 March 2016. The increase was primarily due to the increase in revenue of HK$65.5 million in the trading of animation derivative products, the increase in revenue of HK$4.9 million from the establishment and operation of indoor theme park, as well as an increase of HK$1.3 million from multimedia animation entertainment.

Trading of animation derivative products

The revenue from trading of animation derivative products increased by 14.8% from HK$443.1 million for the year ended 31 March 2015 to HK$508.6 million for the year ended 31 March 2016 primarily due to an increase in sales volume, which primarily resulted from increased sales to two of the major customers.

Licensing of animation characters

Due to the restructuring of the Group's business model of the licensing business by licensing the animation characters to a number of licensees, no revenue was generated during the year 31 March 2016 (2015: three licensees).

Establishment and operation of indoor theme park segment

With the effect of the grand opening of *Shanghai JOYPOLIS* on 6 February 2016, the revenue from establishment and operation of indoor theme park increased by 17.2% from HK$28.5 million for the year ended 31 March 2015 to HK$33.4 million for the year ended 31 March 2016. Without taking into account of the joining fees of HK$25 million recognised for the year ended 31 March 2015 from the Group's join venture in operating the other *JOYPOLIS*, the revenue was significantly increased by 854.3% from HK$3.5 million for the year ended 31 March 2015 to HK$33.4 million for the year ended 31 March 2016.

The number of visitors based on ticket sales significantly increased by 686.6% from 27,288 for the year ended 31 March 2015 to 214,660 for the year ended 31 March 2016 due to the grand opening of *Shanghai JOYPOLIS* on 6 February 2016.

Multimedia animation entertainment

The revenue from multimedia animation entertainment increased by HK$1.3 million, or 81.3% from HK$1.6 million for the year ended 31 March 2015 to HK$2.9 million for the year ended 31 March 2016. The revenue from multimedia animation entertainment included HK$1.9 million from ticket sales for VR Gaming Showroom and HK$1.0 million concert income in respect of our animation concert of "*Violet*" (紫嫣) performed on 30 September 2015 in Hong Kong.

Cost of sales and services

The cost of sales and services increased by HK$75.5 million, or 25.1%, from HK$301.3 million for the year ended 31 March 2015 to HK$376.8 million for the year ended 31 March 2016. 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*. Full year rental expenses of *Shanghai JOYPOLIS* recognised for the year ended 31 March 2016, while only three-month rental expense was recognised for the year ended 31 March 2015 since the phase I of *Shanghai JOYPOLIS* commenced on 1 January 2015.

Gross profit and gross profit margin

The Group's gross profit decreased by HK$18.8 million, or 10.1%, from HK$186.9 million for the year ended 31 March 2015 to HK$168.1 million for the year ended 31 March 2016. The Group's gross profit margin decreased from 38.3% for the year ended 31 March 2015 to 30.8% for the year ended 31 March 2016. The decrease in the gross profit and gross profit margin was primarily due to the increase in cost of purchase of derivative products and full year rental expenses of *Shanghai JOYPOLIS* recognised for the year ended 31 March 2016 while only three-month rental expense was recognised for the year ended 31 March 2015 since the phase I of *Shanghai JOYPOLIS* commenced on 1 January 2015. In addition, there were certain costs incurred for the first concert of "*Violet*" (紫嫣) in Hong Kong.

Other income

Other income increased by HK$2.8 million from HK$0.2 million for the year ended 31 March 2015 to HK$3.0 million for the year 31 March 2016. The increase in other income was primarily due to the interest income from pledged bank deposit and held-to-maturity investment (2015: Nil).

Selling and distribution expenses

The selling and distribution expenses increased by HK$16.1 million, or 447.2%, from HK$3.6 million for the year ended 31 March 2015 to HK$19.7 million for the year ended 31 March 2016. The Group's selling and distribution expenses as a percentage of revenue increased from 0.7% for the year ended 31 March 2015 to 3.6% for the year ended 31 March 2016. The increase in selling and distribution expenses was primarily due to the advertising and promotion for the grand opening of *Shanghai JOYPOLIS*, the first concert of "*Violet*"(紫嫣) in Hong Kong, *International Cultural Industry Fairs* (文博會), and *Ani-Com & Games Hong Kong* (香港動漫節).

Profit attributable to the owners of the Company

The profit attributable to the owners of the Company increased by HK$34.8 million, or 46.0%, from HK$75.6 million for the year ended 31 March 2015 to HK$110.4 million for the year ended 31 March 2016. The increase was primarily due to:

(a) The decrease in the effective rental payable by the Group for the premises of Shanghai Joypolis during the period from January 2016 to March 2016 as a result of entering into a new tenancy agreement (the "**New Tenancy Agreement**") dated 29 June 2016. The term of the New Tenancy Agreement is three years which may be renewable upon expiry. Under the previous tenancy agreement, the total rental payable thereunder would be amortised for a period of 10 years and as such, the effective rental payable by the Group during the first few years would be substantially higher than the actual cash payment. The Directors consider that the New Tenancy Agreement will mitigate the adverse impact on the effective rental and reflect the actual operating conditions of the Group. Because of the New Tenancy Agreement, rental expenses were only slightly above of last year.

(b) An amount of HK$56.7 million was charged to the profit or loss as part of the administrative expense for the year ended 31 March 2015 for the listing of the shares of the Company on the main board of The Stock Exchange of Hong Kong Limited. During the year ended 31 March 2016, no such amount of expense was charged to the profit or loss.

(c) During the year ended 31 March 2016, there was a gain on the Group's investments in certain listed securities on The Stock Exchange of Hong Kong Limited of HK$17.8 million.

BUSINESS PROSPECTS

Looking ahead, in addition to the core business of trading toys, the Group will continue to expand its theme 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

As "*Violet*" (紫嫣) gets a lot of fans, and become more famous both in China and Hong Kong, thus the movie of *Galaxy Girl* (銀河少女) starring "*Violet*" (紫嫣) is under production and is expected to be completed in 2018, "*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 programmes are in the planning stage. The television programmes are expected to be completed in 2018 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) which was launched and released in China in November 2015; *Project Egg* (蛋計劃) and *Where Are You Going, Baby?* (寶貝去哪兒), which are to be launched and released in China in the third quarter of 2016 and the fourth quarter of 2017 respectively. 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 launched 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 VR 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 VR technology

The Group uses VR technology to create an animation game environment, thereby generating potential opportunities and strong development momentum. The Group's strategy is to progressively extend the VR gaming experience showroom across the major cities in China by reorganisation with strategic partner, there are 1,200 gaming showroom acquired VR equipment, the Group also co-operate to run the VR gaming experience showroom with third parties, as part of its efforts, the Group has opened a VR gaming experience showroom in Shanghai, Shenzhen Central Book City (深圳中心書城) and Changzhou during the year, which provides VR games and wearable devices themed with its proprietary animation characters. These showrooms are adjacent to *Shanghai JOYPOLIS*, located in Shenzhen Futain and Changzhou shopping mall respectively. The visitors can wear VR glasses and they can 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.

The Group has built up a group of talents for the design and development of the contents of VR games aiming to supply the newest VR games to the visitors. By obtaining the exclusive agency for the supply of VR game machines through cooperation with a VR game machine manufacturer, the Group can supply new generation VR game machines to the Group's VR gaming experience showroom and supply to overseas market through the Group's existing network in Japan.

Indoor theme park

The grand opening of *Shanghai JOYPOLIS* took place on 6 February 2016. The Group is in the process of developing another *JOYPOLIS* indoor theme park 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 commercialisation of the animation characters into the mobile game segment through different media.

The Group will continue to promote "*Violet*" (紫嫣) and the Group's virtual reality animation games and other cartoon characters of the Group. For example, we will have much more production of film and animation. The Group will promote the products derived from "*Violet*" (紫嫣) outside the PRC through different media and music as well as 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 steadily 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 2016, a total amount of HK$163.1 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 2016	Unutilised as of 31 March 2016
	%	*HK$'million*	*HK$'million*	*HK$'million*
For the capital expenditure and the working capital for the *Shanghai JOYPOLIS* and for use in planning the next *JOYPOLIS*	40.0	119.4	119.4	–
For possible investment in, acquisition of, and/or formation of strategic cooperation with, domestic or international companies which operate animation-related businesses, including without limitation, animation-related event organisers, mobile and internet applications developers and animation-related multi-media platforms	30.0	89.6	6.6	83
For the development, production and technical enhancement of music animation concerts and the related promotional and marketing activities and the development of consignment sales business	20.0	59.7	7.2	52.5
For working capital and general corporate purposes	10.0	29.9	29.9	–
Total	100.0	298.6	163.1	135.5

ADVANCE TO AN ENTITY AND FULL REPAYMENT OF THE ADVANCE AMOUNT

The Directors refer to the announcement of the Company dated 29 June 2015 on advances to an entity which constituted a disclosable transaction for the Company. The amount as at 31 March 2015 represented 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 were unsecured, non-interest bearing and repayable in October 2015.

Pursuant to a supplementary agreement entered into with the independent supplier in July 2015, the advances to a supplier of approximately HK$60,143,000 were settled by offsetting trade payables to the supplier and the remaining balance were settled by cash in July 2015.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 March 2016, the cash and bank balances of the Group were HK$81.6 million (2015: HK$339.0 million). Essentially the Group's working capital requirement is financed by its internal resources. The Directors believe that funds generated from operations and the available banking facilities will enable the Group to meet its future working capital requirements.

During the year ended 31 March 2016, the Group had a cash flow for favorable investment to enhance its business development. Therefore, the liquidity compared with the year ended 31 March 2015 was reduced.

As at 31 March 2016, the Group had a net gearing ratio of 7.0% (2015: Nil). The net liabilities of the Group included interest-bearing bank borrowings, amount due to a director less cash and cash equivalents. The increase in net gearing ratio in 2016 was mainly attributable to a substantial decrease in cash and cash equivalents as a result of the payment for the property, plant and equipment of HK$219.0 million for the grand opening of *Shanghai JOYPOLIS* and another *JOYPOLIS* in China.

As indicated in the above figures, the Group has maintained stable financial resources to execute its future commitments and future investments for expansion. The Board believe that the existing financial resources will be sufficient to execute future expansion plans and, if necessary, the Group will obtain additional financing with favorable terms.

TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the year ended 31 March 2016. 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.

FINAL DIVIDEND

The Board recommends the payment of a final cash dividend of 1.0 HK cent per Share to the shareholders of the Company whose names appear on the register of members of the Company at the closure day of the register of members, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting. Further information on the closure date for the final cash dividend will be set forth in the notice of the annual general meeting.

CAPITAL COMMITMENTS

As of 31 March 2016, capital commitments of the Group amounted to HK$42.1 million (2015: HK$45.1 million).

SIGNIFICANT INVESTMENTS HELD

As at 31 March 2016, the Group had HK14.6 million of listed bond security which is listed on the Singapore Exchange Limited with a fixed coupon interest at 6.25% per annum and maturity date on 22 May 2017.

In August 2015, the Group entered into a strategic partnership agreement with an independent third party to enter into a long-term strategic alliance and partnership to collaborate across VR technology projects. The Group paid RMB4.5 million (equivalent to HK$5.4 million) as deposit for acquisition of options, on a priority basis, to invest or co-invest in VR technology projects.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group will continue to develop the virtual reality technology projects including to set up partnerships with an independent third party for selling of VR equipment and development of VR game contents.

The Directors believe that VR technology projects will be another significant contributor to the Group's business development in the future.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2016, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

MORTGAGES AND PLEDGES

As of 31 March 2016, a bank deposit of the Group with a carrying value of approximately HK$95.3 million (2015: Nil) was pledged to a bank for banking facilities obtained.

CONTINGENT LIABILITIES

The Group did not have significant contingent liabilities as of 31 March 2016 (2015: 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 and when appropriate.

ENVIRONMENTAL POLICY

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

EMPLOYEES AND REMUNERATION POLICIES

As of 31 March 2016, the Group had 240 employees (2015: 61 employees). For the year ended 31 March 2016, 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 HK$23.9 million (2015: HK$8.9 million). The increase was mainly attributable to the increase of HK$12.1 million in employee remuneration and the increment of HK$2.9 million 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. On 29 February 2016, 21,455,400 options have been granted to the eligible Directors, employees and two consulting firms pursuant to the share option scheme adopted by the Company on 16 February 2015 (2015: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

AUDIT COMMITTEE AND 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 audited consolidated financial statements and annual results for the year ended 31 March 2016 have been reviewed by the audit committee of the Board, the members of which have met the auditors of the Company, Messrs. Deloitte Touche Tohmatsu, for the review of the Group's results for the year ended 31 March 2016.

The audit committee of the Board has reviewed the Company's audited consolidated financial statements for the year ended 31 March 2016 and the accounting principles and practices adopted by the Group and has discussed auditing, risk management, internal controls and financial reporting matters for the year ended 31 March 2016 with the management. They have also reviewed and approved the engagement of external auditors for providing non-audit services, the remuneration in respect of audit and non-audit services provided by external auditors, risk management and internal control systems and the effectiveness of the internal audit function.

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

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2016 as set out in the preliminary announcement have been agreed by the Group's 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 the preliminary announcement.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Listing Rules of Stock Exchange throughout the year, except for the following deviations:

Code provision A.2.1

The Code provision A.2.1 of the Corporate Governance Code in Appendix 14 of the Listing Rules stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. ZHUANG is Chairman of the Board and the Chief Executive Officer. As Mr. ZHUANG is the founder of the Group and has extensive experience in corporate operations and management, the Directors believe that it is in the best interest of the Group to have Mr. ZHUANG taking up both roles for effective management and business development.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set forth in Appendix 10 of the Listing Rules (the "**Model Code**") as its own code of conduct regarding securities transaction by Director of the Company. Having made specific enquiry with the directors, all directors confirmed that they have fully complied with the required standard as set out in the Model Code throughout the year ended 31 March 2016.

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 31 August 2016, the register of members will be closed from 29 August 2016 to 31 August 2016, 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 registrar, 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 26 August 2016.

To determine entitlement to the proposed final cash dividend (subject to the passing of an ordinary resolution by the shareholders of the Company at the annual general meeting), the register of members of the Company will be closed from 6 September 2016 to 8 September 2016, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, 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 p.m. on 5 September 2016.

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.

PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2016 and up to the date of this annual results announcement.

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 2016 containing all the 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, 30 June 2016

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.