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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)

**(1) AMENDMENT AGREEMENT IN RELATION TO THE
SUBSCRIPTION AGREEMENT;
(2) ANNOUNCEMENT PURSUANT TO RULE 13.17 AND RULE 13.18
OF THE LISTING RULES;
AND
(3) CLOSING OF THE FIRST NOTE OF HK\$200,000,000**

On 27 September 2017, the Company, the Chargor and the Subscriber entered into the Amendment Agreement to amend the collateral coverage ratio applicable to Chargor's security top-up event.

The Board is pleased to announce that the Note Instrument in respect of the First Note was executed and the Closing of the First Note took place on 27 September 2017. The Guarantee, the Share Charge, the Deed of Undertaking and the Supplemental Deed were also entered into on 27 September 2017.

Reference is made to the announcement of the Company dated 22 September 2017 (the "**First Announcement**") in relation to, among others, the Subscription Agreement and the proposed issue of the Notes. Unless otherwise defined or the context otherwise requires, capitalised terms used under this announcement shall have the same meanings as those defined in the First Announcement.

THE AMENDMENT AGREEMENT

On 27 September 2017, the Company, the Chargor and the Subscriber entered into an amendment agreement (the "**Amendment Agreement**") to amend the collateral coverage ratio applicable to the Chargor's security top-up event. It was agreed that the collateral coverage ratio should be calculated by reference to the last traded price of the Trading Day instead

of a 30-Trading-Day average last traded price. Pursuant to the Amendment Agreement, the Subscription Agreement was amended to the effect that, for so long as any Note remains outstanding, if the result of (A) the multiple of (i) the number of the Charged Shares and (ii) the last traded price per Share on such Trading Day divided by (B) the aggregate principal amount of the Notes falls below 2.0, the Chargor will, within the next 3 Business Days, charge additional Shares which it beneficially owns to the Securities Account so that such collateral coverage ratio will increase to no less than 2.5. For the avoidance of doubt, the collateral coverage ratio applicable to the conditions precedent of the Closing remains unchanged.

Save as disclosed above, there are no other changes to the terms of the Subscription Agreement and all the terms and conditions of the Subscription Agreement remain unchanged and in full force and effect. The terms of the Amendment Agreement were arrived at after arm's length negotiations among the parties thereto, and the Directors believe that the terms of the Amendment Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

CLOSING OF THE FIRST NOTE

The Board is also pleased to announce that the Note Instrument in respect of the First Note was executed and the Closing of the First Note took place on 27 September 2017. The First Note will mature on 27 November 2018. However, the Company may extend the original maturity date to a date no later than 27 November 2020 with the prior written approval of the Noteholders. Under the terms and conditions of the First Note, the Company has agreed, inter alia, for so long as any Note remains outstanding, to maintain (i) the Gearing Ratio at not more than 55%; (ii) its Equity Attributable to Owners be not less than HK\$900 million (or its equivalent in any other currency or currencies); (iii) its current group structure; and (iv) the business and assets of each of the Group Company. Breach of such covenants will trigger an event of default under the First Note. The Guarantee, the Share Charge, the Deed of Undertaking and the Supplemental Deed were also entered into on 27 September 2017. Please refer to the First Announcement for details of the Security Documents and specific performance obligations of the Controlling Shareholders.

The gross proceeds and the net proceeds of the issue of and the subscription for the First Note amounted to HK\$200.00 million and HK\$198.27 million, respectively. The Company intends to apply the net proceeds for general corporate purposes and other investment opportunities.

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

Hong Kong, 27 September 2017

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.