China Animation Group

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)

PROFIT WARNING

This announcement is made by the board (the "**Board**") of directors (the "**Directors**") of China Animation Characters Company Limited (the "**Company**" and together with its subsidiaries, the "**Group**") pursuant to Rule 13.09(2)(a) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**").

The Board wishes to inform the shareholders (the "**Shareholders**") of the Company and prospective investors of the Company that based on the preliminary information available to the Board and the unaudited consolidated management accounts of the Group, the profit attributable to owners of the Company for the year ended 31 March 2018 (the "**2018 Financial Year**") is expected to decrease significantly by approximately 33.0%, as compared with the same for the year ended 31 March 2017, because of the mixed effects of the following:

(1) The amount of revenue from the trading business of the Group for 2018 Financial Year is expected to decrease by approximately 27.6% due to the decrease in the purchase orders placed by two major customers during the 2018 Financial Year.

(2) The amount of revenue from the theme park business of the Group for the 2018 Financial Year is expected to increase by approximately 102.3% due to the revenue contribution from Sega Live Creation Inc. (currently known as CA Sega Joypolis Limited) from January 2017 following completion of the acquisition.

(3) The Group incurred a significant loss of approximately HK$30.2 million mainly from fair value change in respect of the Group's investments held-for-trading in the shares of two Hong Kong listed companies which are held for promoting temporary business relation.

The Company is in the process of finalising the unaudited consolidated annual results for the 2018 Financial Year. The information contained in this announcement is based on the preliminary information available to the Board and the unaudited consolidated management accounts of the Group. This information has yet to be audited by the auditors of the Company and reviewed by members of the audit committee of the Board and may be different from the audited consolidated results of the Group for the 2018 Financial Year. The announcement on the operating results and financial performance of the Group for the 2018 Financial Year will be published by the Company by the end of June 2018 in full compliance with the requirements under the Listing Rules.

Shareholders and prospective investors of the Company are advised to exercise caution when dealings in the shares of the Company.

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

Hong Kong, 25 June 2018

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.