



华夏动漫集团

华夏动漫形象有限公司

China Animation Characters Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code:1566)

Annual Report 2015





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Kowloon
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Principal Place of Business in China

China Animation Creative Industry Park
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Shenzhen
PRC

Company's Website

www.animatechina.com

Executive Directors

Mr. ZHUANG Xiangsong (庄向松)
Mr. TING Ka Fai Jeffrey (丁家輝)
Ms. LIU Moxiang (劉茉香)

Independent Non-executive Directors

Mr. NI Zhenliang (倪振良)
Mr. TSANG Wah Kwong (曾華光)
Mr. HUNG Muk Ming (洪木明)

Audit Committee of our Board

Mr. TSANG Wah Kwong (曾華光) (Chairman)
Mr. HUNG Muk Ming (洪木明)
Mr. NI Zhenliang (倪振良)

Remuneration Committee of our Board

Mr. HUNG Muk Ming (洪木明) (Chairman)
Mr. TSANG Wah Kwong (曾華光)
Mr. TING Ka Fai Jeffrey (丁家輝)

Nomination Committee of our Board

Mr. ZHUANG Xiangsong (庄向松) (Chairman)
Mr. HUNG Muk Ming (洪木明)
Mr. NI Zhenliang (倪振良)

Investment Committee of our Board

Mr. ZHUANG Xiangsong (庄向松) (Chairman)
Ms. LIU Moxiang (劉茉香)
Mr. TSANG Wah Kwong (曾華光)
Mr. TING Ka Fai Jeffrey (丁家輝)
Mr. WONG Yee Shuen Wilson (黃以信) FCPA

Authorised Representatives

Mr. ZHUANG Xiangsong (庄向松)
Mr. LUK Sik Tat (陸適達) FCCA, FCPA

Company Secretary

Mr. LUK Sik Tat (陸適達) FCCA, FCPA

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited

Shops 1712-1716
17th Floor Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Share Registrar and Transfer Office

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Cayman Islands

Compliance Adviser

Quam Capital Limited

18th Floor, China Building
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Hong Kong

Auditor

Deloitte Touche Tohmatsu

35/F, One Pacific Place
88 Queensway
Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

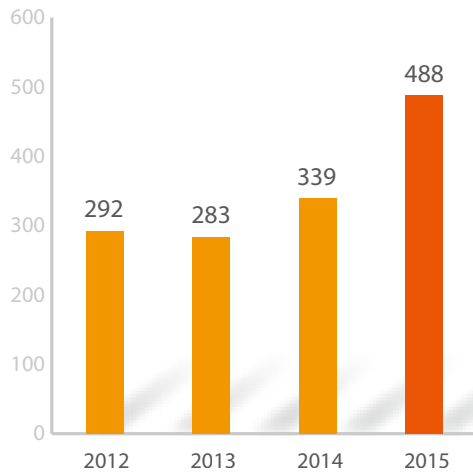
Tsim Sha Tsui CVC Branch
82-84 Nathan Road
Kowloon, Hong Kong

Hang Seng Bank Limited

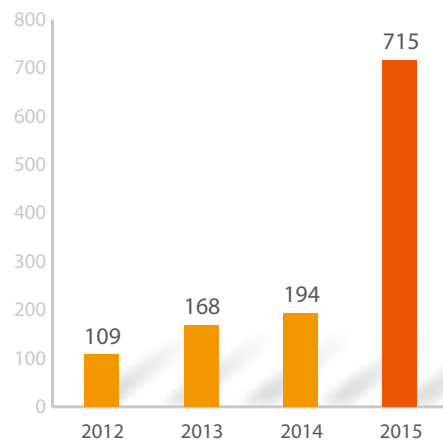
Chung On Street Branch
38 Chung On Street
Tsuen Wan, New Territories
Hong Kong

FINANCIAL HIGHLIGHTS

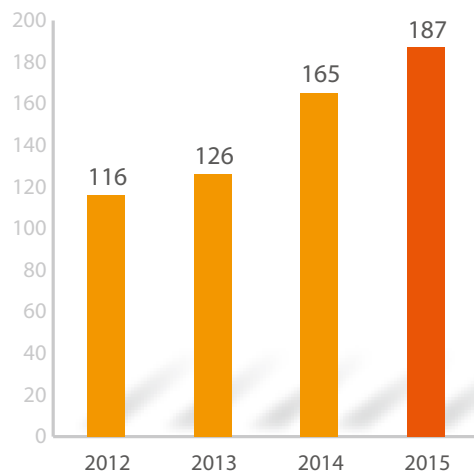
Revenue (HK\$ million)



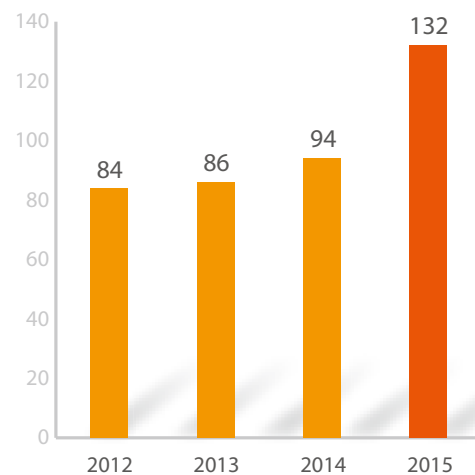
Total Assets (HK\$ million)



Gross Profit (HK\$ million)



Normalised Profit* (HK\$ million)



* Normalised Profit is calculated by eliminating the non-recurring income and expense including Deferred Licensing fee and Listing expenses.





CORPORATE PROFILE

The Group is engaged in multiline businesses in the animation related industry in China, 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. This business represented the Group's major revenue source during the year ended 31 March 2015. Most of the Group's customers are Japanese companies which source animation derivative products for toy companies in Japan and leading outdoor theme parks in Japan.

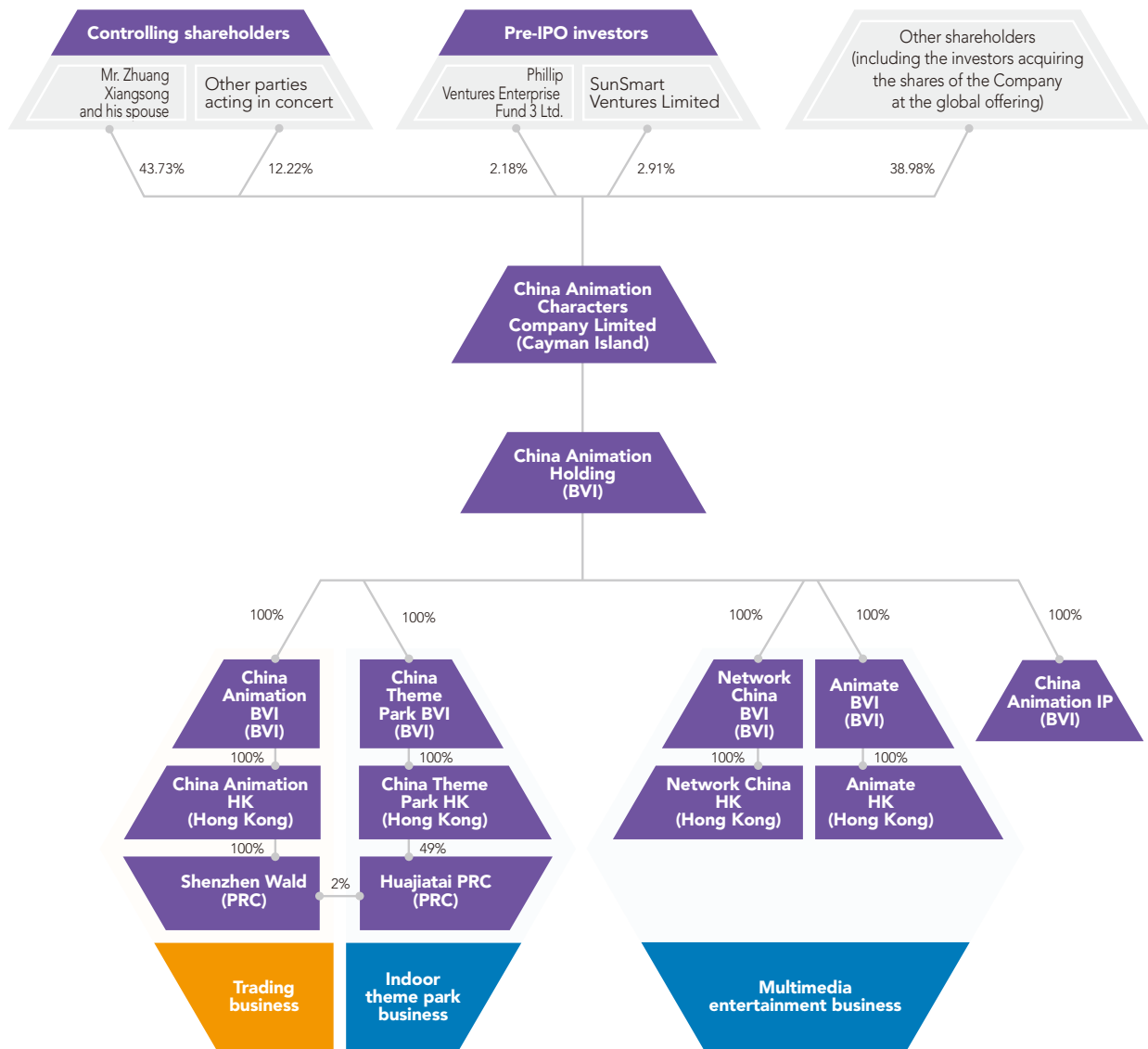
With a view to enhancing and diversifying the Group's core business, the Group is developing the indoor theme park business in China. The Group's first project in this business is the operation of *JOYPOLIS* in Shanghai as the first licensed operator of *JOYPOLIS* in China.

The Group is also equipped with in-house research and development capability in the creation and commercialisation of its proprietary animation characters. The Group's proprietary animation character, "*Violet*" (紫嫣), is the first virtual artist which performed music animation concerts in China by applying three dimensional mixed reality (MR) technologies. The first animation concert of "*Violet*" (紫嫣) was performed on 1 February 2015 in Shenzhen.

The Group has the intellectual property rights of several animation characters through acquisition or self-development. The Group intends to generate revenue from its proprietary animation characters through licensing and consignment sales. Upon the opening of the consignment sales stores within *Shanghai JOYPOLIS*, the Group will be able to further expand this revenue source.

The Group also develops the multimedia animation entertainment business in the areas of (i) movie investment and production; (ii) music animation concerts; and (iii) online entertainment and mobile applications. These business initiatives form an extension of the Group's core business and an integral part of the strategic progression in the animation industry with the objective of promoting and cross-selling different lines of business and creating synergies among them.

Shareholding and Corporate Structure



CHAIRMAN'S STATEMENT



On behalf of the board (the "**Board**") of directors of China Animation Characters Company Limited ("**China Animation**" or the "**Company**"), I am pleased to present the results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2015.

Business Review

During the year ended 31 March 2015, the revenue of the Group amounted to HK\$488.3 million, representing an increase of 44.2% as compared with HK\$338.7 million for the year ended 31 March 2014. Profit attributable to the owners of the Company amounted to HK\$75.7 million, representing a decline of 42.1% as compared to HK\$130.6 million for the year ended 31 March 2014.

The decline in profit was mainly attributable to: (a) an one-off license fee income of HK\$41.7 million recorded in the year ended 31 March 2014 and (b) an increase in non-recurring expenses of HK\$56.7 million incurred for the listing of the Group in the year ended 31 March 2015.

Business Review and Prospects

The Board plans to develop the Group into a leading multimedia animation group in China. Currently, the Group has operations in Hong Kong, Shenzhen and Shanghai providing a diverse range of animation-related businesses, including the trading of animation derivative products and the provision of value-added services, licensing, indoor animation theme park and internet multimedia animation entertainment. The Group has also developed other business segments by capitalising the continuous growth in the trading of animation derived products. The Group has established an offline physical business and an online internet multimedia business which creates synergy and other cross-selling opportunities.

In respect of the licensing business, we have gained satisfactory returns through licensing of the intellectual property rights of the proprietary animation characters.

Regarding the indoor theme park business, the Group operates *Shanghai JOYPOLIS* at Global Harbour, a trendy landmark in downtown Shanghai. *Shanghai JOYPOLIS* provides a unique experience that integrates the digital realm with the real world, making it an attraction for a large number of visitors from Shanghai as well as the Yangtze River Delta.

Shanghai JOYPOLIS is a high-tech Extreme Virtual Experience park with cutting-edge technology. It is a project licensed from SEGA LIVE CREATION Inc.. Phase I of *Shanghai JOYPOLIS* includes two major attractions, namely "P+Closet" which targets young girls, and "Wonder Forest" designed for families. Both attractions were opened on 1 January 2015. Phase II of *Shanghai JOYPOLIS*, will feature the performance stage of "Violet" (紫嫣), thrilling amusement rides and exciting experience for visitors. Phase II is expected to open during the first quarter of 2016.





Business Review and Prospects (Continued)

The Group owns the intellectual property rights of "Violet" (紫嫣), a virtual artist to enter China's music circle. On 1 February 2015, "Violet" (紫嫣) performed an animation concert at Shenzhen Bay Sports Centre Spring Cocoon Stadium using 3D holographic projection technology and mixed reality ("MR") technology. The concert marked the first large-scale virtual performance in China. Through the amalgamation of digital virtual technology and innovation in a real setting, "Violet" (紫嫣) was able to interact with real-life performers and the audience at the concert.

The performance of "Violet" (紫嫣) was broadcasted on "Bilibili" and on CUTV Online Animation Channel, operated by the Group. "Violet" (紫嫣) and "Han Ba Gui" (憨八龜), another animation character of the Group, have become the icons used in selected social media platforms. The Group receives royalties from the use of these icons. Five songs of "Violet" (紫嫣), including the most famous "時光的翅膀", can also be downloaded or listened online.

The Group has developed the game business with "Violet" (紫嫣) and "Han Ba Gui" (憨八龜) as the main animation characters, and it has created game apps that employ Augmented Reality ("AR") technology. The Group has sold AR game cards with the two proprietary characters as main themes during different occasions.

In early 2015, the Group signed agreements with Studio Comet, a renowned animation company in Japan, and Someno Films Production Co. to produce "Galaxy Girl" (銀河少女), an animation film starring "Violet" (紫嫣), which will debut in a number of locations including Japan. Part of the preparation work and demonstration of the film have been completed.

Economic growth and urbanisation in China increase the demand for new leisure and entertainment experiences. The increasing number of young consumers and their increasing spending power, combined with strong support from the country to promote the cultural industry as well as influence from "Internet +" will create immense opportunities and growth potential in the business areas in which the Group operates.

Looking at the year ahead, in addition to promoting the continuous growth of its existing businesses, the Group will also focus on developing the "Internet + animation game eco system" and will strive to become a multimedia animation group specialised in Online to Offline ("O2O") business model.

An O2O system catering for animation fans

The Group has sought to build an O2O system for animation fans via an online platform called "紫米網" and "V1566.com", with "Violet" (紫嫣) playing a leading role. Working with a leading credit/debt card company in China, the Group issues in China a "Violet UnionPay Card" that is a membership card and a privilege card that may be used within Shanghai JOYPOLIS. Cardholders can purchase points for online games and receive cash awards as well. The card is designed support offline transactions similar to ordinary UnionPay cards. The Group can therefore assess to the data regarding its customers to further optimise the offline and online business model.

A self-developed IP – based VR O2O system

The Group is developing a VR O2O system that features its animation characters and famous overseas characters. The Group is examining Virtual Reality ("VR") technology and will launch ancillary products, including VR glasses, VR entertainment and wearable devices. The Group can generate profit through its licensing business, provision of VR content and advertising. The Group will focus on enhancing the offline VR experience and online recharge, payment and IP content management service. The Group will also seek quality companies in the industry for investment, and merger and acquisition opportunities.

Business Review and Prospects (Continued)

Indoor theme park business

Shanghai JOYPOLIS will become an important part of the Group's indoor theme park business. *Shanghai JOYPOLIS* combines the famous animation concepts from Japan and China, creating a diverse range of features. *Shanghai JOYPOLIS* is set to be fully operational in the first quarter of 2016. In the future, the Group will focus on first-tier cities and enhance business cooperation with large shopping mall developers. The Group plans to build a series of indoor theme parks with the support from the national policies on the development of the cultural industry.

"Violet" – An icon in the national cultural industry

"Violet" (紫媽) has made a number of achievements in China. Apart from its development through the "Violet UnionPay Card" launched under the "internet + finance" concept, the animation character has supported various multimedia entertainment projects, including a movie and a TV drama and the appearance in *Shanghai JOYPOLIS*. "Violet" (紫媽) has also been involved in animation-related events, festivals, exhibitions and concerts. It has become our "super icon" supporting further consolidation of our business in the industry and creating synergies and cross-selling.

Appreciation

On behalf of the Board, I would like to express my gratitude to the shareholders of the Company and stakeholders for their continuous trust and support. I wish to also thank our dedicated staff and management for their contributions which have led to such favourable results. In the year ahead, we will continue to develop all major operations in order to develop an O2O system for animation games under the "Internet +" era.

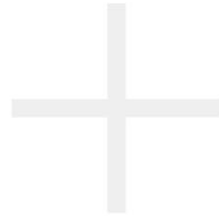
Zhuang Xiangsong

Chairman

Hong Kong, 29 June 2015



MANAGEMENT DISCUSSION & ANALYSIS



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

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

Business Review

Trading of animation-derived products

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

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

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

Indoor 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. is scheduled in the first quarter of 2016. *Shanghai JOYPOLIS* is strategically located in a shopping complex in downtown Shanghai connected with convenient transportation network. The shopping complex is direct connect to Jinshajiang Road Station on the Shanghai Metro, which is connected with Lines 3, 4 and 13 of the Shanghai Metro.

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

Shanghai JOYPOLIS targets the young population in China and provides thrilling animation amusement rides and an exciting interactive experience by creating a fantasy world presenting an intense digital animation experience enabled by video production through cutting-edge technology.



Business Review (Continued)

Licensing of animation characters

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

Multimedia animation entertainment

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

Commercialisation of the proprietary animation characters

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

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

Financial Review

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

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

Revenue

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

Trading of animation derivative products

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

Licensing of animation characters

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

Establishment and operation of indoor theme park segment

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



Financial Review (Continued)

Multimedia animation entertainment

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

Cost of sales and services

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

Gross profit and gross profit margin

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

Other income

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

Selling and distribution expenses

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

Listing expenses

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

Financial Review (Continued)

Profit attributable to the owners of the Company

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

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

Business Prospects

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

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

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

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



Business Prospects (Continued)

Online entertainment and mobile applications

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

Promotion of the virtual reality ("VR") technology

The Group uses VR technology to create an animation game environment, thereby generating potential opportunities and strong development momentum. As part of its efforts, the Group has opened a VR gaming experience centre in China in June 2015, which provides VR games and wearable devices themed with its proprietary animation characters. This centre is next to Shanghai JOYPOLIS. 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.

Indoor theme park

Phase I of Shanghai JOYPOLIS opened on 1 January 2015 and the grand opening is scheduled in the first quarter of 2016.

Business Prospects (Continued)

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.

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

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

Final Dividend

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

Change of Name of the Company and Appointment of Executive Directors and Independent Non-Executive Directors

On 16 February 2015, the Group has changed its name from "China Animation Group (Holding) Limited" to "China Animation Characters Company Limited".

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



Liquidity and Financial Resources

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

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

Treasury Policies

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

Capital Expenditure

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

Gearing Ratio

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

Significant Investments Held

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

Future Plans for Material Investments and Capital Assets

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

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

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

Capital Structure

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

Capital Commitments

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

Mortgages And Pledges

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

Contingent Liabilities

Other than that disclosed in note 6 to the consolidated financial statement, the Group did not have significant contingent liabilities as of 31 March 2015 (2014: Nil).

Foreign Exchange Exposure

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

Employees and Remuneration Policies

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

Advances to An Entity

As disclosed in the announcement of the Company dated 29 June 2015 (the "**Announcement**"), the Group had made a total of 17 advances to Sino Action Industrial Limited ("**Sino Action**"), an independent third party of the Company, 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 dated 16 March 2015 between (i) Sino Action; (ii) China Theme Park Incorporation Limited, a wholly-owned subsidiary of the Company; and (iii) Arto Design Construction Limited, a contractor appointed by Sino Action and an independent third party of the Group, in respect of all advances made by the Group to Sino Action during the period from 25 February 2015 to 31 March 2015) 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 dated 12 November 2014 entered into between the Group and Sino Action. For further details, please refer to the Announcement.



Executive Directors

Mr. ZHUANG Xiangsong (庄向松), aged 45, is our founder, our executive Director and our Chief Executive Officer. Mr. ZHUANG was appointed as an executive Director on 20 November 2014. Mr. ZHUANG is also the Chairman of our Board. Mr. ZHUANG is primarily responsible for conducting the business of our Group and formulation of business and strategic development of our Group. Mr. ZHUANG has approximately 18 years of experience in the toy industry. Prior to establishing our Group, Mr. ZHUANG, together with a business partner, started the toy sales business in July 1996 through the acquisition of all issued share capital of Sino Action as a shelf company. During the period between July 1996 and March 2008, Mr. ZHUANG was a shareholder of Sino Action holding 50.0% of its shares in issue. Mr. ZHUANG sold all his equity interest in Sino Action in March 2008 in order to focus on the business development of China Animation BVI.

In May 2009, Mr. ZHUANG completed a part-time course of “Advanced Training Programme for Executives on Private Equity Investment Fund and Financing by way of Listing on Growth Enterprise Market” (私募股權投資基金和創業板上市融資總裁研修班) organised by Tsinghua University (清華大學). In March 2012, Mr. ZHUANG completed a part-time course of “Telaote Strategic Positioning” (特勞特戰略定位總裁班) organised by Peking University (北京大學). Mr. ZHUANG is currently attending a part-time course of the Executive Master of Business Administration organised by Peking University (北京大學).

Mr. ZHUANG was elected to serve as a representative of the People’s Congress of Shenzhen City Committee (深圳市人民代表大會代表) from June 2015 to May 2020. Mr. ZHUANG has been the Vice President and Deputy Chairman of Shenzhen City Longgang District General Chamber of Commerce (Association of Industry and Commerce) (深圳市龍崗區總商會(工商聯)), the President and the Chairman of Shenzhen City Longgang District Longcheng Chamber of Commerce (Association of Industry and Commerce) (深圳市龍崗區龍城街道商會(工商聯)), the Vice President of Shenzhen City Longgang District Henggang Chamber of Commerce (深圳市龍崗區橫崗商會), and the Enforcement Supervisor in the fourth term of the Municipal People’s Procuratorate of Shenzhen City (深圳市人民檢察院第四屆執法監督員). Mr. ZHUANG was appointed as the supervisor of the Buji Customs of Shenzhen (深圳布吉海關監督員) for the period between 1 September 2012 to 1 August 2014.

Mr. TING Ka Fai Jeffrey (丁家輝), aged 49, was appointed as an executive Director on 20 November 2014. Mr. TING is our Chief Operating Officer. Mr. TING joined our Group in January 2014, before which Mr. TING worked for Wah Shing during the period between 2008 and 2013 primarily on overseeing the production of the toy products by Wah Shing for Sino Action/China Animation BVI. Mr. TING is principally responsible for overseeing our daily business operations including the sales and the production activities and the implementation of our business plans. Mr. TING has approximately six years of experience in the merchandising industry. Before joining our Group and Wah Shing, Mr. TING was the deputy general manager with Tohki Enterprise Co., a furniture manufacturer, from 1 September 1992 to 31 July 1998. Mr. TING obtained the degree of bachelor of arts from the University of Western Australia in March 1991.

Ms. LIU Moxiang (劉茉香), aged 39, was appointed as an executive Director on 20 November 2014. Ms. LIU joined Shenzhen Wald in June 2012. Ms. LIU is principally responsible for implementing our business plans and strategies. Prior to joining our Group, Ms. LIU worked in sales team of エイメックストレーディング (Aimex Trading Co., Ltd.*) from April 2004 to July 2005. From October 2005 to June 2007, Ms. LIU worked for Walita Toys and Gifts Co., Ltd., Shenzhen as an assistant to the senior executives. Ms. LIU was the executive manager of Shenzhen Huaxia between June 2007 and June 2012. Ms. LIU graduated from 九江學院 (Jiujiang University*) (formerly known as 九江財經高等專科學院 (Jiujiang College of Finance and Economics*)) in July 1999 on international business. From October 1999 to March 2001, Ms. LIU attended Kobe YMCA Japanese Language School in Japan. Ms. LIU studied business administration in Kobe Gakuin University, Graduate School of Economics, in Japan from April 2002 to March 2004 and received a master degree of arts in business administration.

Independent Non-Executive Directors

Mr. NI Zhenliang (倪振良), aged 68, was appointed as an independent non-executive Director on 20 November 2014. Mr. NI is currently the Chairman of the Hong Kong-Greater China Expert Calligraphy Association (香港大中華名家書畫會) and the Shenzhen Municipal Marketing Institute (深圳市市場學會) in the PRC. Mr. NI is also a member of the Federation of Hong Kong Writers (香港作家聯會) in Hong Kong.

In April 1974, Mr. NI worked at the PRC State Education Commission (中華人民共和國國務院科教組), an agency of the PRC State Council, as the supervisor and editor of 《人民教育》, a publication of the State Education Commission, until 1993. The PRC State Education Commission was renamed as the PRC Ministry of Education in 1998.

From January 1994 to December 2003, Mr. NI held various senior positions in newspapers in Hong Kong and PRC, namely Deputy Editor-in-chief of the publication of "General Affairs in the Society of Democracy and Legal System" (《民主與法制》) in the PRC, President of the Elderly Chinese Newspaper Society (《中華老年報》社) in the PRC, Deputy Editor-in-chief of Ta Kung Pao (大公報) in Hong Kong and Editor-in-chief of the online version of Wen Wei Po (文匯報) in Hong Kong.

Mr. NI has also participated in a number of literary societies in the PRC. Mr. NI has been a council member of the Chinese Writers Association (中國作家協會) since 1988, the Chinese Jurists Society (中國法學會) since 1996, the Chinese Reportage Society (中國報告文學學會) since 1993, the Society of Chinese Literary Biography (中國傳記文學學會) since 1994, and the Association of Chinese Senior Professors (中國老教授協會) since 1994. In September 1993, Mr. NI was appointed as a professor by the Association of Chinese Senior Professors.

Mr. TSANG Wah Kwong (曾華光), aged 62, was appointed as an independent non-executive Director of the Company on 20 November 2014. He is also the chairman of the Audit Committee and a member of both the Remuneration Committee and Investment Committee of the Company. Mr. Tsang is a former partner of PricewaterhouseCoopers in Hong Kong and China and has over 31 years of experience in auditing and providing support for initial public offerings and acquisition transactions. From July 1978 to June 2011, Mr. Tsang worked in PricewaterhouseCoopers in Hong Kong and China. Mr. TSANG received a bachelor's degree in business administration from the Chinese University of Hong Kong in June 1978. He is a fellow member of the Hong Kong Institute of Certified Public Accountants since September 1991, a member of the Chinese Institute of Certified Public Accountants since May 2004 and a fellow member of the Chartered Association of Certified Accountants since March 1989.

Currently, Mr. TSANG is an independent non-executive director of the following companies listed on the Stock Exchange: China Merchants China Direct Investments Limited (stock code: 133), PanAsialum Holdings Company Limited (stock code: 2078) and Sihuan Pharmaceutical Holdings Group Ltd. (stock code: 460). Mr. Tsang is currently also an independent non-executive director of Agria Corporation (a company listed on the New York Stock Exchange; stock code: GRO), and a director of PGG Wrightson Limited (a company listed on the New Zealand Stock Exchange; stock code: PGW).



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. HUNG Muk Ming (洪木明), aged 49, was appointed as an independent non-executive Director on 20 November 2014.

Mr. HUNG has over 24 years of experience in auditing, finance and accounting. Since February 2005, Mr. HUNG has been the group financial controller of Guangdong Mingcrown Group Limited (廣東名冠集團有限公司), a company engaging in construction, property development, hotels, steel production and ports businesses in Dongguan and Xinhui, the PRC. From October 2002 to January 2005, Mr. HUNG was the group financial controller of Hoi Meng Group (開明集團), a company engaging in garment design, manufacturing and export with production facilities in the PRC, Macau and Cambodia. From July 2001 to September 2002, Mr. HUNG worked as a finance manager of Hong Kong Exchanges and Clearing Limited (Stock code: 388), a company listed on the Stock Exchange. From November 1994 to July 2001, Mr. HUNG was the accounting manager of financial control department of Embry (H.K.) Limited. From August 1990 to November 1994, Mr. HUNG was promoted from accountant to senior accountant I of Price Waterhouse (now known as PricewaterhouseCoopers). Mr. HUNG is currently an independent non-executive director and chairman of the audit committee of Cinda International Holdings Ltd. (Stock code: 111), a company listed on the Stock Exchange, an independent non-executive director and chairman of the audit committee of Silver Grant International Industries Ltd. (Stock code: 171), a company listed on the Stock Exchange, and an independent non-executive director and chairman of the audit committee of Century Sage Scientific Holdings Ltd. (Stock code: 1450), a company listed on the Stock Exchange. From September 2004 to February 2006, Mr. HUNG was the independent non-executive director and chairman of the audit committee of Rontex International Holdings Ltd. (Stock code: 1142), a company listed on the Stock Exchange.

Mr. HUNG received a bachelor's degree in social sciences with a major in economics, finance and accounting from the University of Hong Kong in December 1990. Mr. HUNG obtained a master's degree in corporate governance from Hong Kong Polytechnic University in October 2008. Mr. HUNG has been a Certified Tax Adviser since July 2010, a member of the Taxation Institute of Hong Kong since June 2010, a fellow member of the Hong Kong Institute of Directors since November 2009, associate of Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries & Administrators since February 2009, a fellow member of the Hong Kong Institute of Certified Public Accountants since July 2001, a fellow member of the Association of Chartered Certified Accountants since January 1999 and a Certified Public Accountant (Practising) of HKICPA since November 1994.

Honourable Chairman

Mr. Shinichiro IKEDA (池田慎一郎), aged 56, is our Honorable Chairman advising us on our overall business directions and the strategic planning. Mr. IKEDA was appointed as our Honorable Chairman on 16 February 2015. Mr. IKEDA has approximately 25 years of experience in the toy merchandising and animation design and production industries in Japan. Mr. IKEDA is the director of Banjihan Ace inc. (株式會社バンジハンエース), the chairman & CEO of IMA Group, the chairman of 株式會社ソル・インターナショナル (SOL International Inc.*), a company engaging in distribution of toy products in Japan, the chairman of 株式會社サーフアースパラダイス (Surfers Paradise Inc.*), a company engaging in toy and general consumer product trading, the chairman & CEO of 株式會社スタジオデーン (Studio Deen Inc.*), a company engaging in animation production and other related business activities, the member of Crank inc. (株式會社クランク); a company runs The Forest Village Environmental Education Foundation (一般社団法人しんりん環境教育教室); the only association in Japan which teaches afforestation and environment in official school education curriculum, and the director of 一般財団法人日本漫畫事務局八月十五日の會 (Japanese Cartoon (manga) Office 8.15*), an general incorporated foundation run by comics artists in Japan, voluntarily active for world peace.

Mr. IKEDA has been a director of Banjihan Ace since March 2007. Mr. IKEDA graduated from Dokkyo University, Japan with a bachelor's degree in law in March 1983.

Senior Management

Mr. WONG Yee Shuen Wilson (黃以信), aged 47, is our Chief Financial Officer. Mr. WONG joined us on 1 November 2014. Mr. WONG is responsible for the financial management and strategic planning of our Group. Mr. WONG has over 23 years of experience in auditing and finance. Mr. WONG worked in PricewaterhouseCoopers in Hong Kong and PRC for 12 years since January 1991 and was a senior manager in PricewaterhouseCoopers in the PRC when he left PricewaterhouseCoopers in February 2004. Mr. WONG also worked as a senior manager in Ernst and Young during the period between November 2005 and December 2007. Mr. WONG served as a director of Bakerhouse Global Limited, and has also been an independent non-executive director of China Pipe Group Limited (Stock code: 380), a company listed on the Stock Exchange. From 18 January 2013 to 3 July 2014, Mr. WONG has served as the independent non-executive director of PanAsialum Holdings Company Limited (Stock code: 2078), a company listed on the Stock Exchange. Mr. WONG graduated from the University of New South Wales, Australia with a master's degree in commerce in October 1994. Mr. WONG is a member of the Australian Institute of Banking and Finance and Australian Society of Certified Practising Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants.

Mr. LUK Sik Tat (陸適達), aged 39, is our finance manager and our company secretary. Mr. LUK joined us on 21 June 2012. Mr. LUK is responsible for the accounting and financial management of our Group. Mr. LUK has approximately 17 years of experience in accounting and finance. During the period between November 2008 and May 2012, Mr. LUK served as a supervisor in financial reporting with MIQ Logistics Hong Kong Limited, a provider of global, transportation and distribution services and a former subsidiary of YRC Worldwide, an assistant manager at Crowe Horwath (HK) CPA Limited (formerly known as CCIF CPA Limited) from November 2006 to November 2008, an audit senior at Wong Lam Leung & Kwok C.P.A. Limited from March 2004 to July 2006, an audit semi-senior and audit senior at K.W. Tam & Co. from September 2000 to January 2003 and from February 2003 to February 2004, respectively, an auditor II at K. L. Wong & Co. from April 1999 to May 2000 and an audit junior at Tai, Kong & Co. from June 1997 to December 1998.

Mr. LUK graduated from the City University of Hong Kong with a bachelor's degree of arts in accountancy in 1997. Mr. LUK has been a fellow member of the Hong Kong Society of Accountants since July 2013 and a fellow member of the Association of Chartered Certified Accountants since July 2008.

Mr. YU Kin Keung (余健強), aged 33, is our finance manager. Mr. YU joined us on 7 May 2014. Mr. YU is responsible for the accounting and financial management of our Group. Mr. YU has approximately six years of experience in accounting and finance.

Mr. YU was the account manager in Chung Yuen High Polymer New Materials Holdings Limited from September 2010 to May 2014, the assistant accountant in Evermate Trading Limited (德明貿易有限公司) from June 2010 to September 2010 and the auditor in Hong Kong Great Wall CPA Limited from March 2008 to October 2009. Mr. YU graduated from Monash University with a bachelor of commerce's degree in accountancy and finance in 2007. Mr. YU has been an associate member of CPA Australia since July 2011.

Mr. LIANG Jianjun (梁健軍), aged 37, is the production director of our creative and research and development department. Mr. LIANG joined us on 1 July 2012, before which Mr. LIANG worked for Shenzhen Huaxia from April 2009. Mr. LIANG is responsible for animation design and production. Mr. LIANG has approximately 12 years of experience in the animation design and production. Before joining Shenzhen Huaxia, Mr. LIANG was the production director of Shenzhen Tangren from August 2004 to April 2009, and the Deputy Director of Technical Department of Shenzhen Meiyang Plastic Ltd. (深圳美陽注塑有限公司 (now renamed as Tianma Precision Plastic (Shenzhen) Company Limited) (天馬精密注塑(深圳)有限公司), a company engaging in the business of manufacturing of components and parts from October 2000 to March 2002. Mr. LIANG graduated from Guangdong University of Technology, Guangdong Province (廣東省廣東工業大學), with a bachelor's degree in engineering in July 2000.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. ZHAN Zhengli (詹正禮), aged 44, is our production management and control manager. Mr. ZHAN joined us on 1 July 2012. Mr. ZHAN is responsible for product management and control of our Group. Mr. ZHAN has relevant experience in production management. Before joining us, Mr. ZHAN worked at Wah Shing and was responsible for the operation of production systems during the period between May 2004 and June 2012.

From November 2000 to January 2003, Mr. ZHAN was the founder and production manager of OBANG Furniture Company Limited (歐邦家具有限公司). Mr. ZHAN graduated from (杭州大學 Hangzhou University) with a bachelor's degree in business management in July 1990.

Mr. ZHANG JUN (張俊), aged 44, is the responsible person for our product research and development. Mr. ZHANG joined us on 1 January 2014. Mr. ZHANG is an art director and mainly responsible for directing and background design of animated movies.

Mr. ZHANG worked for Shenzhen Huaxia during the period between November 2009 and December 2013. Before joining Shenzhen Huaxia, Mr. ZHANG worked in the art and design departments at various animation companies.

Mr. LAI Jianhua (賴建華), aged 32, is our public affairs manager. Mr. LAI joined us on 1 January 2014. Mr. LAI is mainly responsible for external affairs, maintaining government-enterprise relationship and keeping abreast of relevant laws, regulations and policies.

Mr. LAI was the designer in Shenzhen Huaxia during the period between April 2009 and December 2013 and the business manager in Yifa Plastic Toy and Gift Company Limited (易發塑膠玩具禮品有限公司) from March 2005 to January 2009.

Mr. PEI Ying (裴瑩), aged 31, is the curator of *Shanghai JOYPOLIS*. Mr. PEI joined us on 1 November 2014. Mr. PEI is mainly responsible for the operation of *Shanghai JOYPOLIS* of our Group.

From November 2010 to October 2014, Mr. PEI worked in 瀋陽市創奇遊樂設備有限公司 (Shenyang Province Chuangqi Play Equipment Company Limited*). From June 2007 to October 2010, Mr. PEI worked in 南京杰杰遊樂設備有限公司 (Nanjing Jeijie Youleshebei Youxiangongsi*)

CORPORATE GOVERNANCE REPORT

China Animation Characters Company Limited (the “**Company**”) is committed to maintain a high standard of corporate governance. The board of directors of the Company (the “**Board**”) and management maintain and enhance the policies and practices of the Company on a timely, transparent, effective and reasonable manner, so as to maintain good, solid and reasonable corporate governance. The Company believes that good corporate governance is not only in the interest of shareholders and investors but also in the interest of the Company. The Company will continue to raise the standard to formalize the best practice of corporate governance as far as we could.

Corporate Governance Code

From the Listing Date and up to the date of this annual report, the Company has complied with the principles and applicable code provisions (“**Code Provisions**”) set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) except code provision A.2.1 as more particularly described in the following paragraphs.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 of the Listing Rule as its own conduct regarding securities transaction by Director of the Company. Having made specific enquiries with the directors of the Company (“**Directors**”), all Directors confirmed that they had complied with the required standard as set out in the Model Code during the year ended 31 March 2015.

Board of Directors

Composition

The Board comprises six Directors, including three executive Directors, Mr. ZHUANG Xiangsong (the Chairman and Chief Executive Officer of the Company), Mr. TING Ka Fai Jeffrey (the Chief Operating Officer of the Company) and Ms. LIU Moxiang; and three independent non-executive Directors, Mr. NI Zhenliang, Mr. TSANG Wah Kwong and Mr. HUNG Muk Ming. From the listing date and up to the date of this annual report, there was no change in the composition of the Board. Biographical details of the Directors are set out in the section headed “BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT” of this annual report.

Responsibilities of the Board and Management

The Board is primarily responsible for overseeing and managing the Company’s affairs, including the responsibilities for the adoption of long-term strategies and appointing and supervising senior management to ensure that the operation of the Group is conducted in accordance with the objective of the Group.

The Board is also responsible for determining the Company’s corporate governance policies which include:

- (a) To develop and review the Company’s policies and practices on corporate governance;
- (b) To review and monitor the training and continuous professional development of Directors and senior management;
- (c) To review and monitor the Company’s policies and practices to ensure compliance with legal and regulatory requirements;
- (d) To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (e) To review the Company’s compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules and its disclosure requirements in the Corporate Governance Report.



Board of Directors (Continued)

Responsibilities of the Board and Management (Continued)

During the year, the Board has reviewed the Company's corporate governance policies and practices, training and continuing professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the Code and disclosure in the Corporate Governance Report.

While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various Board committees which have been established by the Board to deal with different aspects of the Company's affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these Board committees are governed by the Company's articles of association as well as the Board's policies and practices (in so far as the same are not in conflict with the provisions contained in the articles of association). With the nomination committee, the remuneration committee and the audit committee, the independent non-executive Directors will be able to effectively devote their time to perform the duties required by the respective Board committees.

The Board has also delegated the responsibility of implementing its strategies and the day-to-day operation to the management of the Company under the leadership of the executive Directors. Clear guidance has been made as to the matters that should be reserved to the Board for its decision which include matters on, inter alia, capital, finance and financial reporting, internal controls, communication with shareholders, Board membership, delegation of authority and corporate governance.

The Board acknowledges its responsibility for the preparation of the financial statements which give a true and fair view of the state of financial position and financial performance of the Group. The financial statements set out on pages 49 to 85 were prepared on the basis set out in note 3 to the financial statements. Financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements. The declaration of reporting responsibility issued by the external auditors of the Company on the financial statements is set out in the Independent Auditors' Report on page 48.

The Board has balance of skills, knowledge and experience appropriate for the requirements of the business and to complement the Company's corporate strategy. The Board membership is covered by professionally qualified and widely experienced personnel to bring in valuable contributions and different professional advices and consultancy for development of the Company. All Directors have separate and independent access to the advice and services of the senior management and the company secretary with a view to ensuring the board procedures, and all applicable rules and regulations are followed. The principal functions of the Board are to supervise the management of the business and affairs; to approve the strategic plans, investment and funding decision; to review the Group's financial performance and operating initiatives.

The Board, led by the Chairman, is responsible for formulating overall strategy and policies, monitoring and controlling the performance of the Group. In addition to its overall supervisory role, the Board also retains specific responsibilities such as approving financial accounts, approving annual budget, recommending dividend payments, approving policies relating to the Board's compliance, etc. whilst managing the Group's day-to-day operations is the responsibility of the management of the Group (the "**Management**") such as implementing internal control, business strategies and plans set by the Board, etc.. When the Board delegates certain aspects of its management and administration functions to the Management, it has given clear directions as to the powers of the Management.

Continuous Professional Development

Immediately prior to the listing of the Company, all Directors have been given relevant guideline materials and attended a training regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group. Such induction materials and briefings will also be provided to newly appointed Directors shortly upon their appointment as Directors. Continuing briefings and professional development to Directors will be arranged whenever necessary.

All Directors have provided record of training attendance and the Company will continue to arrange and/or fund the training in accordance with the Code Provisions.

The Company has arranged appropriate directors and officers liability insurance cover in respect of legal action against the Directors.

Independent non-executive Directors

From the date of listing on the Stock Exchange (the “**Listing Date**”) to 31 March 2015, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board and at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received a written confirmation from each of the independent non-executive Directors in respect of their independence. The Company considers all independent non-executive Directors to be independent in accordance with the independence requirements set out in Rule 3.13 of the Listing Rules.

The independent non-executive Directors take an active role in Board meetings, contribute to the development of strategies and policies and make sound judgment in various aspects. They will take lead when potential conflicts of interest arise. They are also members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company.

Roles of Chairman and Chief Executive Officer

The position of the Chairman and the Chief Executive Officer of the Company are held by Mr. ZHUANG Xiangsong. 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.

The Chairman of the Company, Mr. ZHUANG, takes up the role of providing leadership for the Board and ensures that the Board works effectively and discharges its responsibility properly. With the support of executive Directors and the company secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and receive adequate and reliable information in a timely manner. Mr. ZHUANG also ensures that good corporate governance practice is in force from time to time, and all key issues are discussed by the Board in a timely manner.

Mr. ZHUANG, also as the Chief Executive Officer of the Group, is responsible for managing overall daily operations of the Group, the implementation of the Group’s development strategies and plans and to perform other responsibilities as assigned by the Board.

Appointment, Re-election and Removal of Directors

The procedures and process of appointment, re-election and removal of directors are laid down in the Company’s Article of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive Directors.

Each of the executive Directors has entered into a service contract with the Company and each of the independent non-executive Directors has signed a letter of appointment with the Company. Such term is for an initial term of three years for the executive Directors commencing from the Listing Date and three years for the independent non-executive Directors commencing from 20 November 2014, subject to re-election.



Appointment, Re-election and Removal of Directors (Continued)

Pursuant to Article 83(3) of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his appointment and be subject to re-election of such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed pursuant to Article 83(3) of the Articles shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Pursuant to Article 84 of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years and shall then be eligible for re-election.

In accordance with the Articles and the Corporate Governance Code contained in Appendix 14 to the Listing Rules, Mr. TING Ka Fai Jeffrey and Ms. LIU Moxiang will retire by rotation in accordance with Article 84 of the Articles. All retiring Directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Board Meetings

The Board meets regularly, and at least four times a year, additional meetings are convened when deemed necessary by the Board. Board members are provided with complete, adequate and timely information to allow the Directors to fulfill their duties properly. In addition, Directors have full access to information on the Group and independent professional advice whenever deemed necessary by the Directors.

From the Listing Date and up to 31 March 2015, the Board held two meetings. Due notice and board papers were given to all Directors prior to the board meetings in accordance with the CG Code.

In addition, the Chairman and non-executive Directors including the independent non-executive Directors meet at least once every year without the presence of executive Directors.

At least 14 days' notice for all regular Board meetings will be given to all Directors and all Directors must be given the opportunity to include items or businesses for discussion in the agenda. For all other Board meetings, reasonable notice will be given. Relevant agenda and accompanying Board papers will be sent to all Directors at least three days in advance of every regular Board meeting.

General Meetings

From the Listing Date and up to 31 March 2015, no general meeting was held.

Board Committees

The Board has established four committees, including audit committee, remuneration committee, nomination committee and investment committee, for overseeing particular aspects of the Company's affairs and to strengthen its functions and to enhance its expertise. All committees have been formed with specific written terms of reference which deals clearly with the respective committees' authorities and duties. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Board Committees (Continued)

Remuneration Committee

The Company established a remuneration committee pursuant to a resolution of the Directors passed on 20 November 2014 with written terms of reference in compliance with Rule 3.25 and Rule 3.26 of the Listing Rules. The written terms of reference of the remuneration committee was adopted in compliance with the Code Provisions. Its terms of reference are available on the websites of the Company and the Stock Exchange. As at the date of this report, the Remuneration Committee comprises three members including one executive Director, namely Mr. TING Ka Fai Jeffrey and two independent non-executive Directors, namely Mr. HUNG Muk Ming and Mr. TSANG Wah Kwong. It is chaired by Mr. HUNG.

The major roles and functions of the Remuneration Committee are as follows:

- (a) To make recommendations to the Board on the Company's policy and structure for all directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (c) To make recommendations to the Board on the remuneration packages of individual executive directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment); and
- (d) To make recommendations to the Board on the remuneration of non-executive directors.

As the Company was listed on 12 March 2015, no Remuneration Committee meeting was held during the period from the Listing Date and up to 31 March 2015 and there was no change in the policy and structure of the remuneration of the Directors and senior management. From the date onwards, the Remuneration Committee will meet at least once a year for reviewing the remuneration policy and structure and making recommendations to the Board on determining the annual remuneration packages of the executive Directors and the senior management and other related matters.

The remuneration package of executive Directors is determined by reference to their duties and responsibilities, experience and the prevailing market conditions. The remuneration package of individual executive Directors includes salary, discretionary bonus and share based payment. Details of the Directors' fee and other emoluments of the Directors of the Company are set out in note 8 to the financial statements.

The Remuneration Committee has adopted the model that it will review the proposals made by the management on the remuneration of executive Directors and senior management, and make recommendations to the Board. The Board will have final authority to approve the recommendations made by the Remuneration Committee.

Nomination Committee

The Company established a nomination committee pursuant to a resolution of the Directors passed on 20 November 2014 with written terms of reference in compliance with paragraph A.5.1 of Appendix 14 of the Listing Rules. Its terms of reference are available on the websites of the Company and the Stock Exchange. As at the date of this report, the Nomination Committee comprises three members including one executive Director, namely Mr. ZHUANG Xiangsong and two independent non-executive Directors, namely Mr. HUNG Muk Ming and Mr. NI Zhenliang. It is chaired by Mr. ZHUANG, the Chairman of the Board.

In November 2014, the Company adopted the Board Diversity Policy in accordance with the requirement set out in the code provision of the Code. Such policy sets out the approach to achieve diversity on Board.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.



Board Committees (Continued)

Nomination Committee (Continued)

The major roles and functions of the Nomination Committee are as follows:

- (a) To review the structure, size and composition (board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (b) To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board;
- (c) To review the Board Diversity Policy, as appropriate, and disclose the Board Diversity Policy or its summary in the corporate governance report of the Company including the measurable objectives set for implementing the Board Diversity Policy and progress made towards achieving these measurable objectives;
- (d) To assess the independence of independent non-executive directors; and
- (e) make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive.

All candidates must be able to meet the standards as set forth in Rule 3.08 and Rule 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules. Qualified candidates will then be recommended to the Board for approval.

No Nomination Committee meeting was held during the period from the Listing Date and up to 31 March 2015. From the date onwards, the Nomination Committee will conduct meeting at least once a year.

Audit Committee

The Company established an audit committee pursuant to a resolution of the Directors passed on 20 November 2014 with written terms of reference in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules. The written terms of reference of the audit committee was adopted in compliance with the Code Provisions. Its terms of reference are available on the websites of the Company and the Stock Exchange.

As at the date of this report, Audit Committee consists of three independent non-executive Directors, namely Mr. TSANG Wah Kwong, Mr. HUNG Muk Ming and Mr. NI Zhenliang. It is chaired by Mr. TSANG Wah Kwong who holds appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The major roles and functions of the Audit Committee are as follows:

- (a) To make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (b) To monitor integrity of the Company's financial statements and to review significant financial reporting judgements contained in them;
- (c) To review the Company's financial controls, internal control and risk management systems; and
- (d) To discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system.

From the Listing Date and up to 31 March 2015, no audit committee meetings were held during this period.

Board Committees (Continued)

Audit Committee (Continued)

As at the date of this annual report, the Audit Committee has considered and reviewed the accounting principles and practice adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management. The Audit Committee considers that the financial results for the year ended 31 March 2015 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

The Audit Committee has held a meeting with the external auditors on 26 June 2015 to (i) review the consolidated financial statements for the year ended 31 March 2015; (ii) discuss the internal control and financial reporting matters of the Group; (iii) review the consolidated financial statements and the auditor's report and recommend to the board for approval. All members of the committee attended that meeting. From the date onwards, the Audit Committee will meet at least twice a year to review the financial results and reports, financial reporting and compliance procedures, the report of the internal auditor on the Company's internal control and risk management review and processes, and the re-appointment of the external auditor.

During the period from the Listing Date to the date of this annual report, the Board has not taken a different view from the audit committee on the selection, appointment, resignation or dismissal of external auditor.

Investment Committee

The Company established an investment committee pursuant to a resolution of the Directors passed on 20 November 2014. The written terms of reference of the investment committee are available on the websites of the Company.

As at the date of this report, Investment Committee consists of four Directors, namely Mr. ZHUANG Xiangsong, Mr. TING Ka Fai Jeffrey, Ms. LIU Moxiang, Mr. TSANG Wah Kwong, and one senior management, Mr. WONG Yee Shuen Wilson. It is chaired by Mr. ZHUANG Xingsong.

The major roles and functions of the Investment Committee are as follows:

- (a) To consider the investment and business decisions of the Group;
- (b) To make recommendations to our Board in respect of the major investment projects of the Group, such as the establishment of new JOYPOLIS in China.
- (c) To monitor the performance of the Group for compliance with the investment policies and guidelines.

From the Listing Date and up to 31 March 2015, no investment committee meetings were held.

Auditor's Remuneration

The fees charged by the auditor generally depends on the scope and volume of the auditor's work. For the year ended 31 March 2015, the remuneration paid or payable to the Company's auditor of the Company, Deloitte Touche Tohmatsu, in respect of audit services was approximately HK\$2,660,000 and fees related to taxation services and other non-audit services amounted to approximately HK\$212,000 and HK\$1,374,000 respectively.

Directors' Responsibilities for Financial Reporting

The Directors acknowledge their responsibilities for keeping proper accounting records and preparing the financial statements of each financial period, which shall give a true and fair view of the financial position of the Group and of the financial performance and cash flows for that period.



Directors' Responsibilities for Financial Reporting (Continued)

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The senior management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company.

The Directors acknowledge the responsibilities for preparing the accounts of the Company.

The relevant responsibility statement of the auditor of the Company with respect to the financial statements of the Group is set out in the Independent Auditor's Report on page 48.

Going Concern

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

Internal Control

The Board is responsible for maintaining an adequate system of internal controls within the Group and for reviewing their effectiveness. The system of internal controls is designed to facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. It is also designed to provide reasonable, but not absolute, assurance that material misstatement or loss can be avoided, and to manage and minimize risks of failure in operation systems.

The Board engaged a professional consulting firm to perform internal control review to assess the effectiveness of the financial, operational and compliance controls and risk management functions of the Company and the Group's major subsidiaries on a rotation basis.

At the meeting of the Audit Committee held on 26 June 2015, the professional consulting firm reported their review work for the year ended 31 March 2015 performed in accordance with the detailed risk-based internal control review plan which was approved by the Audit Committee. The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's internal control systems for the year ended 31 March 2015. The Audit Committee members, together with the senior management, have also reviewed, considered and discussed all findings relating to the internal control systems and recommendations for improvement.

The Audit Committee also reviewed and was satisfied with the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function.

Company Secretary

The Company Secretary of the Company is Mr. LUK Sik Tat, who is also the finance manager of the Company. Mr. Luk is a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Society of Accountants. He fulfills the requirement under Rules 3.28 and 3.29 of the Listing Rules.

The Company Secretary is responsible for providing secretarial services to the Board and ensuring the operation of the Company is properly complied with Hong Kong listed companies' regulatory requirements as well as enhancing its corporate governance standards.

All Directors have access to the advice and services of the company secretary with a view to ensuring that board procedures and all applicable rules and regulations are followed. Company Secretary is also the secretary of each of Board committees. Minutes of Board meetings and meetings of all Board committees are kept by the Company Secretary and are available for inspection by the Directors at all times.

For the year ended 31 March 2015, the company secretary has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

Shareholders' Rights

Right to Convene an Extraordinary General Meeting

Pursuant to the Company's Articles of Association, shareholder(s) holding not less than one-tenth of the Company's paid-up capital at the end of deposit of requisition and having the right to vote at general meetings can submit a requisition to convene an Extraordinary General Meeting ("**EGM**").

Such requisition shall be made in writing to the Board or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, namely, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or the principal place of business of the Company in Hong Kong at Suite 2102, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong. Shareholders who wish to put enquiries to the Board can send their enquiries to the Company Secretary who will ensure these enquiries to be properly directed to the Board. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Corporate communication of the Company will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

All resolutions put forward at an EGM will be taken by poll pursuant to the Listing Rules. Shareholders who are unable to attend the EGM can appoint proxies to attend and vote at the general meeting. The Chairman of the EGM will provide explanation of the detailed procedures for conducting a poll and then answer questions (if any) from the shareholders regarding voting by way of poll. In addition, the poll results will be posted on the websites of the Company and of the Stock Exchange after the EGM.

Communications with Shareholders

The Board is obliged to provide regular, effective and fair communication with the shareholders and the investors of the Company. Latest information is conveyed to the Shareholders and the investors of the Company on a timely basis.

The Company uses a range of communication tools to ensure the Shareholders and the investors are kept well informed of key business imperatives.

Disclosure of Information

Information shall be communicated to Shareholders and the investors mainly through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") and its corporate communications and other corporate publications on the Hong Kong Stock Exchange's website and the Company's website.



Communications with Shareholders (Continued)

General Meetings

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. Shareholders' views on matters that affect the Company are welcome by the Board at shareholders' meetings. Shareholders of the Company are notified of shareholders' meetings through notices and reports or circulars sent to them. Each item of special business in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. A separate resolution is proposed by the chairman of the meetings in respect of each separate issue, including the re-election of Directors.

The Chairman of the Board and Chairmen of the Audit Committee, Remuneration Committee, Nomination Committee and Investment Committee or failing him, his duly appointed delegate, are available at the annual general meeting to answer questions with regard to the work of these committees.

Voting by Poll

Save as provided under the Listing Rules, resolutions put to vote at the general meetings of the Company (other than procedural matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the respective websites of the Company and the Hong Kong Stock Exchange on the same day of the poll.

Investor Relations

The Company maintains a website www.animatechina.com where information and updates on the list of Directors and their roles and functions, constitutional documents, terms of reference of the Board committees, procedures for shareholders to propose a person for election as a director, announcements, circulars and reports, etc. released to the Hong Kong Stock Exchange and other information are posted. Information on the Company's website will be updated from time to time.

A dedicated email address acti@animatechina.com for investor enquiry is set out in the "Contact Us" section on the Company's website.

Constitutional Documents

There has been no significant change in the Company's constitutional documents from the Listing Date and up to the date of this annual report during the year ended 31st March 2015.

REPORT OF THE DIRECTORS

The directors (the “**Directors**”) of the Company are pleased in presenting their first annual report together with the audited financial statements for the year ended 31 March 2015.

Principal Activities

The principal activity of the Company is investment holding and those of the principal subsidiaries are set forth in Note 29 to the consolidated financial statements.

An analysis of the Group’s performance for the year by operating segments is set forth in Note 5 to the consolidated financial statements.

Use of Proceeds From the Global Offering

The Company has received net proceeds of approximately HK\$298.6 million after deducting the underwriting fee and commissions and relevant expenses in connection with the global offering on 12 March 2015. As of 31 March 2015, approximately HK\$16.0 million of the net proceeds had been used by the Group. The unutilised proceeds were deposited with licensed bank in Hong Kong. Set forth below is a summary of the utilisation of the net proceeds:

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

The future plans and prospects as stated in the prospectus (the “**Prospectus**”) of the Company dated 28 February 2015 were based on the Group’s reasonable assessment of the future market conditions according to the information available at the time of preparing the Prospectus. As of the date of this report, the Directors are not aware of any material change to the planned use of the net proceeds from the plan as stated in the Prospectus. The unused net proceeds have been placed as bank deposits.

Results and Appropriations

The financial performance of the Group for the year ended 31 March 2015 and the financial position of the Group as of 31 March 2015 are set forth in the consolidated financial statements on pages 49 and 50.



Four Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set forth on page 86. This summary does not form part of the consolidated financial statements.

Reserves

Details of the movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 51 of this annual report and Note 30 to the consolidated financial statements, respectively.

Distributable Reserves

Pursuant to the relevant rules of the Cayman Island, the Company's distributable reserves as of 31 March 2015 amounted to approximately HK\$515 million.

Property, Plant and Equipment

Details of the movements in properties, plant and equipment of the Group are set forth in Note 11 to the consolidated financial statements.

Share Capital

Details of the authorised and issued share capital of the Company are set forth in Note 20 to the consolidated financial statements.

Subsidiaries

Details of the major subsidiaries of the Company are set forth in note 29 to the consolidated financial statements.

Purchase, Sale or Redemption of the Company's Securities

The Company has not redeemed any of its shares during the year. During the year ended 31 March 2015, neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the Company's listed securities during the year.

Share Option Scheme

The Company's existing share option scheme was approved for adoption in the general meeting held on 16 February 2015 for the purpose of providing the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to eligible participants and for such other purposes as the Board approve from time to time.

The principal terms of the share option scheme are extracted as follows:

Purpose

The purpose is to give the Eligible Persons (as described below) an opportunity to have a personal stake in the Company and help motivate them to optimise their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (as defined below), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Share Option Scheme (Continued)

Who may join

The Board may, at its absolute discretion, offer options ("**Options**") to subscribe for such number of Shares in accordance with the terms set forth in the Share Option Scheme to:–

- (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group ("**Executive**"), any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group ("**Employee**");
- (b) a director or proposed director (including an independent non-executive director) of any member of the Group;
- (c) a direct or indirect shareholder of any member of the Group;
- (d) a supplier of goods or services to any member of the Group;
- (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;
- (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and
- (g) an associate of any of the persons referred to in paragraphs (a) to (c) above.

(the persons referred above are the "**Eligible Persons**")

Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10.0 per cent. of our Shares in issue as of the Listing Date, excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option (the "**Scheme Mandate Limit**") provided that:–

- (a) The Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not exceed 10 per cent. of our Shares in issue as of the date of approval by Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. The Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules.
- (b) The Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by the Company before such approval is obtained. The Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules.
- (c) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Group shall not exceed 30% of the Company's issued share capital from time to time. No options may be granted under the Share Option Scheme and any other share option scheme of the Company if this will result in such limit being exceeded.



Share Option Scheme (Continued)

Maximum number of Option to each participant

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12 month period exceeds one per cent. of the Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1.0 per cent of the Shares in issue, such further grant shall be separately approved by the shareholders of the Company in general meeting with such Eligible Person and his close associates (or his associates if the Eligible Person is a connected person) abstaining from voting. The Company shall send a circular to the Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of the Company's Shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

Offer and grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in our Shares on the Stock Exchange or an integral multiple thereof).

Restriction on the time of grant of Options

The Board shall not grant any Option under the Share Option Scheme after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

Minimum holding period, vesting and performance target

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of all or any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

Share Option Scheme (Continued)

Subscription price

The subscription price of a Share in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- (c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the 5 business days (as defined in the Listing Rules) immediately preceding the offer date.

Exercise of Options

- (i) An Option shall be exercised in whole or in part (but if in part only, in respect of a Board Lot or any integral multiple thereof) within the Option Period in the manner as set forth in this Share Option Scheme by the grantee (or his legal personal representative(s)) by giving notice in writing to the Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given. Within 30 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, the Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the Grantee (or his legal personal representative(s)) share certificate(s) in respect of our Shares so allotted.
- (ii) The exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.
- (iii) The exercise of any Option shall be subject to the members of the Company in general meeting approving any necessary increase in the authorized share capital of the Company.

Life of Share Option Scheme

Subject to the terms of this Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting Options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

Transferability of Options

The Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option or attempt so to do (save that the Grantee may nominate a nominee in whose name our Shares issued pursuant to the Scheme may be registered), except with the prior written consent of the Board from time to time. Any breach of the foregoing shall entitle the Company to cancel any outstanding Option or part thereof granted to such Grantee.



REPORT OF THE DIRECTORS

Directors' Right to Acquire Shares or Debentures

Apart from the share option scheme of the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors

The Directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr. ZHUANG Xiangsong (*Chairman and Chief Executive Officer, appointed on 20 November 2014*)
Mr. TING Ka Fai Jeffrey (*appointed on 20 November 2014*)
Ms. LIU Moxiang (*appointed on 20 November 2014*)

Independent Non-Executive Directors

Mr. NI Zhenliang (*appointed on 20 November 2014*)
Mr. TSANG Wah Kwong (*appointed on 20 November 2014*)
Mr. HUNG Muk Ming (*appointed on 20 November 2014*)

In accordance with the Articles and the Corporate Governance Code contained in Appendix 14 to the Listing Rules, Mr. TING Ka Fai Jeffrey and Ms. LIU Moxiang will retire by rotation in accordance with Article 84 of the Articles. All retiring Directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Confirmation of Independence of Independent Non-Executive Directors

The Company has received from each independent non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of them are independent.

Biographical Details of Directors and Senior Management

The biographical details of Directors and senior management are set forth in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

Directors' Service Contract

None of the Directors offering themselves for re-election at the forthcoming annual general meeting of the Company has entered into any service contract with the Company or any of its subsidiaries, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts of Significance

No contracts of significance in relation to the Company's business to which the Company, its subsidiaries or its holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Related Party Transactions

Details of the related party transactions of the Group for the year ended 31 March 2015 are set forth in Note 27 to the consolidated financial statements of this annual report.

For those related party transactions or those continuing related party transactions (as the case may be) falling under the definition of “connected transactions” or “continuing connected transactions” (as the case may be) in Chapter 14A of the Listing Rules, please refer to the details set forth in the section headed “Exempt Continuing Connected Transactions” of this annual report.

Directors’ Interests in Competing Business

During the year, save as disclosed in the Prospectus, none of the Directors and their respective associates has an interest in any business which competes or may compete with the business in which the Group engaged.

Directors’ Interests and Short Positions in the Shares, Underlying Shares or Debentures

As of 31 March 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), were set forth below:

Long positions in the shares and underlying share of the Company

Name of Directors	Capacity/nature of interest	Name of the controlled corporations	Name of Company	Number of shares	Approximate percentage of shares in issue
ZHUANG Xiangsong	Interest of controlled corporation (Note 1)	Bright Rise	Company	179,583,000 (L)	41.85%
	Interest in persons acting in concert (Note 2)	–	Company	240,048,000 (L)	55.95%
	Spouse interest (Note 3)	–	Company	240,048,000 (L)	55.95%
TING Ka Fai Jeffrey	Interest of controlled corporation (Note 4)	Bonville	Company	6,450,000 (L)	1.50%
	Interest in persons acting in concert (Note 2)	–	Company	240,048,000 (L)	55.95%

Notes:

- All issued shares of Bright Rise are held by Newgate (PTC) Limited. Newgate (PTC) Limited is a company incorporated in the BVI on 12 September 2014 and acts as the trustee of the trust created in the Cayman Islands by Mr. ZHUANG on 18 November 2014, namely The Fortune Trust. The beneficiaries of The Fortune Trust currently include Mr. ZHUANG and his family members.
- Pursuant to the Concert Party Agreement, the Concert Parties have agreed with certain arrangements pertaining to their Shareholding. Further information on the terms and conditions of the Concert Party Agreement is set forth in the section headed “Controlling Shareholders and Substantial Shareholders-Summary of the Concert Party Agreement” in the Prospectus.
- Ms. LI Ruifang is the spouse of Mr. ZHUANG Xiangsong. Mr. ZHUANG is deemed to be interested in our Shares interested by Ms. LI under the SFO.
- All issued shares of Bonville are held by Mr. TING.

Save as disclosed above, as at 31 March 2015, none of the Directors or chief executive or their respective associates had any interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



Substantial Shareholders

As of 31 March 2015, the following persons or corporations, other than the Directors or chief executive of the Company, had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

	Name of Shareholders	Capacity	Number of Shares	Shareholding percentage of shares in issue (%)
Long position	Bright Rise	Beneficial owner	179,583,000	41.85
		Interest in persons acting in concert ⁽¹⁾	240,048,000	55.95
	Newgate (PTC) Limited as trustee of The Fortune Trust created by Mr. ZHUANG Xiangsong	Interest in a controlled corporation ⁽²⁾	179,583,000	41.85
		Interest in persons acting in concert ⁽¹⁾	240,048,000	55.95
	Mr. ZHUANG, Ms. LI Ruifang and their children, being the beneficiaries of The Fortune Trust	Interest in a controlled corporation ⁽²⁾	179,583,000	41.85
		Interest in persons acting in concert ⁽¹⁾	240,048,000	55.95
	Fortress Strength Limited	Beneficial owner	8,046,000	1.88
		Interest in persons acting in concert ⁽¹⁾	240,048,000	55.95
	Ms. LI Ruifang	Interest in a controlled corporation ⁽³⁾	8,046,000	1.88
		Interest in persons acting in concert ⁽¹⁾	240,048,000	55.95
		Spouse interest ⁽⁴⁾	240,048,000	55.95

Substantial Shareholders (Continued)

Name of Shareholders		Capacity	Number of Shares	Shareholding percentage of shares in issue (%)
	Dragon Year Group Limited	Beneficial owner	25,140,000	5.86
		Interest in persons acting in concert ⁽¹⁾	240,048,000	55.95
	Mr. Shinichiro IKEDA	Interest in a controlled corporation ⁽⁵⁾	25,140,000	5.86
		Personal interest	6,000,000	1.40
		Interest in persons acting in concert ⁽¹⁾	240,048,000	55.95
	Bonville Glory Limited	Beneficial owner	6,450,000	1.50
		Interest in persons acting in concert ⁽¹⁾	240,048,000	55.95
	Mr. TING Ka Fai Jeffrey	Interest in a controlled corporation ⁽⁶⁾	6,450,000	1.50
		Interest in persons acting in concert ⁽¹⁾	240,048,000	55.95
	East Jumbo Development Limited	Beneficial owner	14,829,000	3.46
		Interest in persons acting in concert ⁽¹⁾	240,048,000	55.95
	Ms. OR Den Fung Bonnie	Interest in a controlled corporation ⁽⁷⁾	14,829,000	3.46
		Interest in persons acting in concert ⁽¹⁾	240,048,000	55.95
Short position	Nil	Nil	Nil	Nil



Substantial Shareholders (Continued)

Notes:

- (1) Pursuant to the Concert Party Agreement, the Concert Parties have agreed with certain arrangements pertaining to their Shareholding. Further information on the terms and conditions of the Concert Party Agreement is set forth in the section headed "Controlling Shareholders and Substantial Shareholders – Summary of Concert Party Agreement" in the Prospectus.
- (2) Newgate (PTC) Limited is the sole shareholder of Bright Rise and it holds all the shares of Bright Rise in its capacity as the trustee of The Fortune Trust created by Mr. ZHUANG in the Cayman Islands. The beneficiaries of The Fortune Trust currently include Mr. ZHUANG and his family member. Bright Rise is the registered and beneficial owner of 179,583,000 Shares.
- (3) Ms. LI is the sole beneficial owner of all issued shares of Fortress Strength which is the registered and beneficial owner of 8,046,000 Shares.
- (4) Ms. LI is the spouse of Mr. ZHUANG and she is deemed to be interested in our Shares interested by Mr. ZHUANG under the SFO.
- (5) Mr. IKEDA is the sole beneficial owner of all issued shares of Dragon Year which is the registered and beneficial owner of 25,140,000 Shares.
- (6) Mr. TING is the sole beneficial owner of all issued shares of Bonville which is the registered and beneficial owner of 6,450,000 Shares.
- (7) Ms. OR is the sole beneficial owner of all issued shares of East Jumbo which is the registered beneficial owner of 14,829,000 Shares.

Save as disclosed above, as of 31 March 2015, the Directors were not aware of any persons or corporations, other than the Directors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Exempt Continuing Connected Transactions

The companies now comprising the Group have had entered into a number of transactions with Mr. ZHUANG, a party who, upon the Listing, became a connected person of the Company under the Listing Rules.

Lease of offices

The Group leases premises from Mr. ZHUANG. The premises include selected floors of the buildings 9 and 10, China Animation Creative Industry Park, Youyi Road, Longcheng Street, Longgang District, Shenzhen, the PRC, and are currently used by us as our offices and research and development centre in Shenzhen. As the premises and all other buildings comprising the industry park are structures with no property ownership certificates granted to Mr. ZHUANG, 深圳市龍崗區龍城街道處理歷史遺留違法建築領導小組辦公室 (The Office of the Leadership Group in Handling Historical Unauthorised Structures in the area of Longcheng Street, Longgang District, Shenzhen City*) has issued a reply, upon the request of Mr. ZHUANG, confirming that the registered name of the premises has been changed to Mr. ZHUANG.

Exempted Continuing Connected Transactions (Continued)

Lease of offices (Continued)

The table below sets forth (1) the term of the lease agreements entered into between us and Mr. ZHUANG and (2) the annual rent paid by us to Mr. ZHUANG during the Track Record Period:

Lessor	Lessee	Date of lease	Term	Properties	Usage	Gross floor area (m ²)	Annual rental (RMB'000)	Historical transaction amount Year ended 31 March	
								2015	2014
Mr. ZHUANG	Shenzhen Wald	1 August 2014	1 August 2014 to 31 March 2016	1st, 2nd, 3rd and 5th Floor of Building No. 9 China Animation Creative Industry Park Youyi Road Longcheng Street Longgang District Shenzhen PRC	Offices and research and development centre	8,022	1,155.2	(RMB'000)	
								460.1 ⁽¹⁾	460.1 ⁽¹⁾
								(HK\$'000)	
								574.9	575.0
Mr. ZHUANG	Shenzhen Wald	1 August 2014	1 August 2014 to 31 March 2016	1st, 2nd, 3rd and 5th Floor of Building No.10, China Animation Creative Industry Park Youyi Road Longcheng Street Longgang District Shenzhen PRC	Offices and research and development centre	5,400	777.6	(RMB'000)	
								309.7 ⁽¹⁾	309.7 ⁽¹⁾
								(HK\$'000)	
								387	387.1
								(RMB'000)	
Total:								769.8	769.8
								(HK\$'000)	
Total:								961.9	962.1

Note:

- (1) The rent was based on the effective rent at the rate of RMB4.78 per sq.m. set forth in the previous lease agreement over the Track Record Period.

As shown in the table above, the annual rent payable to Mr. ZHUANG within the de minimis threshold set forth in Rule 14A.76 of the Listing Rules. As such, the transactions are exempted from the reporting, announcement requirements and the independent Shareholders' approval requirements. The Directors, including the independent non-executive Directors, confirm that the lease agreements are entered into on normal commercial terms and in the interest of the Shareholders as a whole.



Exempted Continuing Connected Transactions (Continued)

Lease of offices (Continued)

The Directors confirm that the annual rent payable under the relevant lease agreements between us and Mr. ZHUANG is determined with reference to an independent valuation taking into consideration the prevailing market conditions and rent level of similar types of properties in the vicinity. The independent valuer has confirmed that the annual rent is consistent with the prevailing market rates as of the date of the relevant agreements. On this basis, the Directors confirm that the premises under each of the lease agreements in this section are leased on normal commercial terms and the rental level payable under each of these lease agreements are at market level and are fair and reasonable.

Lease of motor vehicle

We lease a motor vehicle from Mr. ZHUANG. The annual rent payable to Mr. ZHUANG for the year ended 31 March 2015 was HK\$0.1 million. The Directors anticipate that the amount of annual rent payable under the lease of motor vehicle will fall within the de minimis threshold set forth in Rule 14A.76 of the Listing Rules. As such, the transaction is exempted from the reporting, announcement requirements and the independent Shareholders' approval requirements. The Directors, including the independent non-executive Directors, confirm that the lease of motor vehicle is entered into on normal commercial terms and in the interests of the Shareholders as a whole.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Major Customers and Suppliers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	95.60%
– three largest suppliers combined	100%

Sales

– the largest customer	40.10%
– five largest customers combined	94.14%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Corporate Governance Code

Details of the Group's compliance with corporate governance code of the Company are set forth in the "CORPORATE GOVERNANCE REPORT" on pages 25 to 34 in this annual report.

Audit Committee

The audit committee consists of three independent non-executive Directors, namely Mr. TSANG Wah Kwong, Mr. HUNG Muk Ming and Mr. NI Zhenliang.

By reference to “A Guide for the Formation of An Audit Committee” published by the Hong Kong Institute of Certified Public Accountants, written terms of reference which describe the authority and duties of the audit committee were prepared and adopted by the Board of the Company.

The annual results have been reviewed by the audit committee of the Company.

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding the Company’s securities.

Pre-emptive Rights

There is no provision for the pre-emptive rights under the Company’s articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float required under the Listing Rules since its listing on 12 March 2015 up to the date of this report.

Closure of the Register of Members

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

Annual General Meeting

The annual general meeting will be held on 28 August 2015. Shareholders should refer to details regarding the annual general meeting in the circular of the Company and the notice of meeting and form of proxy accompanying thereto.

Auditor

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

By Order of the Board

Zhuang Xiangsong

Chairman

Hong Kong, 29 June 2015



INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE MEMBERS OF CHINA ANIMATION CHARACTERS COMPANY LIMITED

華夏動漫形象有限公司

(FORMERLY KNOWN AS CHINA ANIMATION GROUP (HOLDING) LIMITED

華夏動漫集團(控股)有限公司)

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Animation Characters Company Limited (the "Company", formerly known as China Animation Group (Holding) Limited) and its subsidiaries (collectively referred to as the "Group") set out on pages 49 to 85, which comprise the consolidated statement of financial position as at 31 March 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

29 June 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Revenue	5	488,283	338,744
Cost of sales and services		(301,348)	(173,293)
Gross profit		186,935	165,451
Other income		212	13
Selling and distribution expenses		(3,590)	(3,314)
Administrative expenses		(30,958)	(14,810)
Listing expenses		(56,706)	(5,554)
Other expense		(753)	–
Profit before taxation		95,140	141,786
Taxation	6	(23,169)	(11,184)
Profit for the year	7	71,971	130,602
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign subsidiaries		91	(7)
Total comprehensive income for the year		72,062	130,595
Profit (loss) for the year attributable to:			
Owners of the Company		75,632	130,602
Non-controlling interests		(3,661)	–
		71,971	130,602
Total comprehensive income (expense) attributable to:			
Owners of the Company		75,723	130,595
Non-controlling interests		(3,661)	–
		72,062	130,595
Earnings per share	10		
– Basic (HK\$)		0.24	0.44
– Diluted (HK\$)		0.24	N/A



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Property, plant and equipment	11	102,908	56,034
Intangible assets	12	6,476	7,264
Deposits for acquisition of property, plant and equipment	25	119,059	–
		228,443	63,298
Current assets			
Trade receivables	13	64,940	29,531
Other receivables, deposits and prepayments		9,825	175
Advances to a supplier	14	72,643	–
Amount due from a director	15	–	15,061
Bank balances and cash	16	339,017	86,020
		486,425	130,787
Current liabilities			
Trade payables	17	36,424	21,031
Other payables and accruals	18	39,640	7,473
Amount due to a director	15	–	15,271
Tax payable		83,594	65,564
		159,658	109,339
Net current assets		326,767	21,448
Net assets		555,210	84,746
Capital and reserves			
Share capital	20	42,911	1,000
Reserves		515,347	83,746
Equity attributable to owners of the Company		558,258	84,746
Non-controlling interests		(3,048)	–
Total equity		555,210	84,746

The consolidated financial statements on pages 49 to 85 were approved and authorised for issue by the board of directors on 29 June 2015 and are signed on its behalf by:

ZHUANG Xiangsong
DIRECTOR

TING Ka Fai Jeffrey
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

	Attributable to owners of the Company				Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000			
At 1 April 2013	–	–	(22)	36,373	36,351	–	36,351
Profit for the year	–	–	–	130,602	130,602	–	130,602
Exchange difference arising on translation of foreign subsidiary	–	–	(7)	–	(7)	–	(7)
Total comprehensive income for the year	–	–	(7)	130,602	130,595	–	130,595
Share repurchased and cancelled	–	–	–	–	–	–	–
Issue of new shares	1,000	–	–	–	1,000	–	1,000
Dividend recognised as distribution (note 9)	–	–	–	(83,200)	(83,200)	–	(83,200)
At 31 March 2014	1,000	–	(29)	83,775	84,746	–	84,746
Profit for the year	–	–	–	75,632	75,632	(3,661)	71,971
Exchange difference arising on translation of foreign subsidiaries	–	–	91	–	91	–	91
Total comprehensive income for the year	–	–	91	75,632	75,723	(3,661)	72,062
Reorganisation	(900)	–	–	–	(900)	–	(900)
Issue of new shares	10,735	449,255	–	–	459,990	–	459,990
Issue of shares by capitalisation of share premium account	32,076	(32,076)	–	–	–	–	–
Transaction costs attributable to issue of new shares	–	(36,301)	–	–	(36,301)	–	(36,301)
Dividend recognised as distribution (note 9)	–	–	–	(25,000)	(25,000)	–	(25,000)
Contribution from non-controlling interests of a subsidiary	–	–	–	–	–	613	613
At 31 March 2015	42,911	380,878	62	134,407	558,258	(3,048)	555,210



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	2015 HK\$'000	2014 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	95,140	141,786
Adjustments for:		
Depreciation of property, plant and equipment	8,047	7,611
Amortisation of intangible assets	1,370	1,140
Operating cash flows before movements in working capital	104,557	150,537
(Increase) decrease in trade receivables	(35,409)	8,750
Increase in other receivables, deposits and prepayments	(9,650)	(175)
Increase in trade payables	15,393	7,648
Increase (decrease) in other payables and accruals	34,446	(241)
Decrease in deferred income	-	(47,208)
CASH GENERATED FROM OPERATIONS	109,337	119,311
Income tax paid	(5,139)	-
NET CASH FROM OPERATING ACTIVITIES	104,198	119,311
INVESTING ACTIVITIES		
Deposits paid for and purchase of property, plant and equipment	(174,012)	(144)
Purchase of intangible assets	(2,861)	-
Advances to a supplier	(97,830)	-
Repayments from a supplier	25,187	-
Advances to a director	(16,500)	(40,696)
Repayments from a director	31,561	81,501
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(234,455)	40,661
FINANCING ACTIVITIES		
Advances from a director	20,249	4,778
Repayments to a director	(36,420)	(1,000)
Proceeds from issue of shares	459,990	1,000
Dividends paid	(25,000)	(83,200)
Contributions from non-controlling shareholders	613	-
Transaction cost on issue of shares	(36,301)	-
NET CASH FROM (USED IN) FINANCING ACTIVITIES	383,131	(78,422)
NET INCREASE IN CASH AND CASH EQUIVALENTS	252,874	81,550
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	86,020	4,477
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	123	(7)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH	339,017	86,020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. 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 Suite 2102, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong Special Administrative Region, the People's Republic of China (the "**PRC**"). Pursuant to the written resolutions of the shareholders passed on 16 February 2015, the name of the Company was changed from China Animation Group (Holding) Limited to China Animation Characters Company Limited. 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.

In preparing for the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the companies now comprising the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") underwent the reorganisation (the "**Reorganisaition**") to rationalise the group structure. As a result of the Reorganisation, the Company became the holding company of the companies now comprising the Group on 6 August 2014. Details of the Reorganisation are more fully explained in the section headed "History, Development and Reorganisation – Reorganisation" to the prospectus of the Company dated 28 February 2015. The Group is under the common control of the Controlling Shareholder (defined below) prior to and after the reorganisation. The Group comprising the Company and its subsidiaries resulting from the reorganisation is regarded as a continuing entity.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 March 2014 which include the results, changes in equity and cash flows of the companies comprising the Group have been prepared as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the year ended 31 March 2014, or since their respective dates of incorporation/establishment, where it is a shorter period.

The consolidated statement of financial position as of 31 March 2014 has been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence at this date.

The shares of the Company were listed on the Stock Exchange on 12 March 2015. Its parent and ultimate holding company is Bright Rise Enterprises Limited. Its ultimate controlling shareholder is Mr. Zhuang Xiang Song (the "**Controlling Shareholder**").

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Application of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) that are mandatory effective for the current financial year.

New and revised HKFRSs issued 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:

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

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

³ Effective for the first annual HKFRS financial statements beginning on or after 1 January 2016

⁴ Effective for annual periods beginning on or after 1 January 2016

⁵ Effective for annual periods beginning on or after 1 January 2017

⁶ Effective for annual periods beginning on or after 1 January 2018

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

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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

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

3. Significant Accounting Policies (Continued)

Basis of consolidation

The consolidated financial statements incorporate financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in subsidiaries

Investments in subsidiaries included in the Company's statement of financial position are stated at cost less any identified impairment loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services rendered in the normal course of business.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Royalty income from licensing of animation characters is recognised in profit or loss on a straight-line basis over the license period. Upon early termination of a licensing agreement, non-refundable royalty fees received in advance, which are initially recognised as deferred income together with compensation received, if any, are recognised as income in the profit or loss immediately.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Revenue from admission tickets sold is recognised when tickets are accepted and surrendered by the customer. Revenue from tickets sold for use at a future date is deferred until the tickets are surrendered or have expired.

Joining fee received from potential business partner as uncommitted incentive for the co-development of theme park is recognised as income in the profit or loss in the period when the conditions set out in the relevant agreement are fulfilled or become unconditional and it is probable that the fee can be received.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating lease such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expenses on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and other state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

3. Significant Accounting Policies (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.



3. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

3. Significant Accounting Policies (Continued)

Impairment on tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, advances to a supplier, amount due from a director and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.



3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of loans and receivables is reduced by the impairment loss directly for all loans and receivables with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade payables, other payables and accruals and amount due to a director are subsequently measured at amortised cost, using the effective interest method.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated useful lives of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives, using straight-line method. The estimated useful lives that the Group depreciates the property, plant and equipment reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the assets. Actual economic lives may differ from estimated useful lives. If the actual useful lives of property, plant and equipment are less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charges for the remaining periods.

At 31 March 2015, the carrying amount of property, plant and equipment is approximately HK\$102,908,000 (2014: HK\$56,034,000). Details of the useful lives of the property, plant and equipment are disclosed in note 11.



4. Key Sources of Estimation Uncertainty (Continued)

Estimated useful lives of intangible assets

The Group's management determines the estimated useful lives and related amortisation charges for its intangible assets. This estimate is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry activities. Actual economic lives may differ from estimated useful lives. If the actual useful lives of intangible assets are less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the amortisation charges for the remaining periods.

At 31 March 2015, the carrying amount of intangible assets is approximately HK\$6,476,000 (2014: HK\$7,264,000). Details of the useful lives of the intangible assets are disclosed in note 12.

Income tax

During the years ended 31 March 2015 and 2014, the Group has provided a tax provision based on estimated assessable profits. However, it had not notified the Inland Revenue Department of Hong Kong ("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 for the year of assessment 2008/09, and in May 2014 for the years of assessment 2009/10, 2010/11, 2011/12 and 2012/13. Therefore, the Group has technically not yet discharged its obligation to notify chargeability, and it may be liable for penalty, the amount of which according to the penalty policy of the IRD should not exceed 60% of the relevant tax charge (full voluntary disclosure). However, the amount of penalty may be less than the maximum amount if the Group can prove to the satisfaction of the Commissioner of the IRD that the delay was not intentional.

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 2012/2013 in July 2014, respectively, from the IRD which stated that tax payable for the years of assessment 2008/09, 2009/10, 2010/11, 2011/12 and 2012/13 amounting to approximately HK\$4,566,000 in aggregate, which is based on the amounts reported in tax returns filed by the Group for relevant years assuming no penalty would be imposed by the IRD. Up to the date of this report, the IRD has not issued any penalty notice to the Group in respect of the late notification of chargeability for the relevant years as mentioned above.

In addition to making tax provision for the relevant years as discussed above, the directors have also considered possible penalty that may be imposed by the IRD on the Group as 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\$2,283,000 as of 31 March 2015 and 2014. However, based on the relevant facts and circumstances and taking into account professional advice, the directors believe that it is not probable that such penalty will be imposed on the Group. As a result, no provision has been made against the such potential penalty.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. 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:

For the year ended 31 March 2015

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Revenue and Segment Information (Continued)

Segment revenue and results (Continued)

For the year ended 31 March 2014

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3.

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

All the segment revenue reported above is from external customers.

Segment assets and liabilities

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

Segment assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Revenue and Segment Information (Continued)

Segment assets and liabilities (Continued)

Segment liabilities

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

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

Revenue from major products and services

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Revenue and Segment Information (Continued)

Geographical information

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

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

Revenue from external customers

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

Non-current assets by geographical location

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

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group, which was derived from trading of animation derivative products and licensing of animation characters, are as follows:

	2015 HK\$'000	2014 HK\$'000
Customer A ¹	177,707	135,478
Customer B ¹	169,928	N/A*
Customer C ¹	49,627	45,550
Customer D ²	N/A*	82,373

¹ Revenue from trading of animation derivative products.

² Revenue from trading of animation derivative products and licensing of animation characters.

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Taxation

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

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

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

The Group had not notified the 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.

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\$2,283,000 as of 31 March 2015 and 2014. However, based on the relevant facts and circumstances and taking into account professional advice, the directors believe that it is not probable that such penalty will be imposed on the Group. As a result, no provision has been made against such potential penalty.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Taxation (Continued)

The tax charge for the year can be reconciled to the profit before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	2015 HK\$'000	2014 HK\$'000
Profit before taxation	95,140	141,786
Tax at the applicable tax rate of 16.5%	15,698	23,395
Tax effect of expenses not deductible for tax purpose	12,033	2,602
Tax effect of income not taxable for tax purpose	(6,602)	(15,448)
Tax effect of tax losses not recognised	2,040	677
Others	–	(42)
	23,169	11,184

The Group had unused tax losses of approximately HK\$19,899,000 at 31 March 2015 (2014: HK\$7,532,000), which is available for offset against future profits. No deferred tax asset has been recognised due to unpredictability of future profit streams. The tax losses will expire from 2016 to 2020.

7. Profit for the Year

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Directors' and Employees' Emoluments

Directors

Details of the emoluments paid or payable to the director of the Company during the year ended 31 March 2015 are as follows:

For the year ended 31 March 2015

	Fee HK\$'000	Retirement benefit scheme contributions HK\$'000	Salaries and other benefits HK\$'000	Total HK\$'000
Executive directors:				
Mr. Zhuang Xiang Song	655	8	–	663
Mr. Ting Ka Fai Jeffrey	582	23	319	924
Ms. Liu Mo Xiang	146	18	198	362
	1,383	49	517	1,949
Independent non-executive directors:				
Mr. Ni Zhen Liang	91	–	–	91
Mr. Tsing Wah Kwong	91	–	–	91
Mr. Hung Muk Ming	91	–	–	91
	273	–	–	273
	1,656	49	517	2,222

For the year ended 31 March 2014

	Fee HK\$'000	Retirement benefit scheme contributions HK\$'000	Salaries and other benefits HK\$'000	Total HK\$'000
Executive director:				
Mr. Zhuang Xiang Song	–	–	–	–

Mr. Zhuang Xiang Song is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Directors' and Employees' Emoluments (Continued)

Employees

Of the five individuals with the highest emoluments in the Group, two (2014: nil) were directors and the Chief Executive of the Company whose emoluments are included above. The emoluments of the remaining three (2014: five) individuals were as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and other benefits	1,192	1,369
Incentive performance bonus	47	30
Retirement benefit scheme contributions	39	27
	1,278	1,426

Each of their emoluments during the years ended 31 March 2015 and 2014 was within HK\$1,000,000.

Incentive performance bonus was determined with reference to the Group's operating results, individual performance and comparable market statistics.

No emoluments have been paid by the Group to any of the director or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2015 and 2014. None of the directors nor the Chief Executive waived any emoluments during the years ended 31 March 2015 and 2014.

9. Dividends

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

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

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

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

10. Earnings Per Share

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Earnings Per Share (Continued)

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

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

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

11. Property, Plant and Equipment

	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Construction in progress HK\$'000	Total HK\$'000
COST				
At 1 April 2013	74,307	819	–	75,126
Additions	105	39	–	144
At 31 March 2014	74,412	858	–	75,270
Additions	3,097	4,864	46,992	54,953
Exchange adjustments	(15)	(18)	–	(33)
At 31 March 2015	77,494	5,704	46,992	130,190
DEPRECIATION				
At 1 April 2013	11,328	297	–	11,625
Provided for the year	7,443	168	–	7,611
At 31 March 2014	18,771	465	–	19,236
Provided for the year	7,628	419	–	8,047
Exchange adjustments	(1)	–	–	(1)
At 31 March 2015	26,398	884	–	27,282
CARRYING VALUES				
At 31 March 2015	51,096	4,820	46,992	102,908
At 31 March 2014	55,641	393	–	56,034



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Property, Plant and Equipment (Continued)

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, after taking into account of their residual values, over the following useful lives:

Leasehold improvements	5 years to 10 years
Furniture, fixtures and equipment	5 years

The leased premises in the PRC are rented from Mr. Zhuang Xiang Song, the Controlling Shareholder, who is in the process of obtaining the land use right certificates. After seeking legal advice, the directors consider that the title ownership certificates can be obtained by Mr. Zhuang Xiang Song in due time for insignificant cost, therefore, the directors consider that there is no impairment on the leasehold improvements.

12. Intangible Assets

	Film rights HK\$'000 (Note i)	Animation characters HK\$'000 (Note ii)	Indoor theme park right HK\$'000 (Note iii)	Total HK\$'000
COST				
At 1 April 2013	1,750	5,702	–	7,452
Addition	–	–	2,279	2,279
At 31 March 2014	1,750	5,702	2,279	9,731
Addition	582	–	–	582
At 31 March 2015	2,332	5,702	2,279	10,313
AMORTISATION				
At 1 April 2013	–	1,327	–	1,327
Charge for the year	–	1,140	–	1,140
At 31 March 2014	–	2,467	–	2,467
Charge for the year	–	1,142	228	1,370
At 31 March 2015	–	3,609	228	3,837
CARRYING VALUES				
At 31 March 2015	2,332	2,093	2,051	6,476
At 31 March 2014	1,750	3,235	2,279	7,264

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Intangible Assets (Continued)

Notes:

- (i) Film rights represent the acquisition of film rights from production parties for the distribution of films in various videogram formats, film exhibition, licensing and sub-licensing of film titles. Film rights are stated at cost less accumulated amortisation and accumulated impairment losses. The costs of film rights are amortised on a straight-line basis over their estimated useful lives starting from the completion of films.
- (ii) Animation characters represent the acquired intellectual properties in the form of trademarks and copyrights of various animation brands and related characters under the ownership of the Group.
- (iii) Indoor theme park right represents the acquired intellectual property rights in the form of trademarks and know-how under a licensing agreement (the “**Licensing Agreement**”) with SEGA Corporation, a Japanese corporation, for the establishment and operation of indoor theme park with JOYPOLIS trademark in Shanghai. The term of the Licensing Agreement is 10 years from the date of the Licensing Agreement which is renewable subject to negotiation among the parties concerned.

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the useful lives:

Film rights	2 years
Animation characters	5 years
Indoor theme park right	10 years

13. Trade Receivables

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

Included in the Group’s trade receivables is trade balance with Harvest Progress International Limited (“**Harvest Progress**”), a shareholder of the Company, of HK\$25,000,000 (2014: nil). The Group allows a credit period of 30 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice dates, which approximate the revenue recognition dates:

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

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Trade Receivables (Continued)

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:

	2015 HK\$'000	2014 HK\$'000
Over 30 days	27,274	20,778

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

	2015 HK\$'000	2014 HK\$'000
United States Dollars ("US\$")	39,940	11,931

14. Advances to a Supplier

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

15. Amount Due From (to) a Director

Amount due from a director, the Controlling Shareholder of the Company, disclosed pursuant to section 383 to the Hong Kong Companies Ordinance (Cap. 622), which requires compliance with section 161B of the predecessor Hong Kong Companies Ordinance (Cap. 32), is analysed as follows:

	2015 HK\$'000	2014 HK\$'000
Mr. Zhuang Xiang Song	-	15,061
	Maximum amount outstanding during the year	
	2015 HK\$'000	2014 HK\$'000
Mr. Zhuang Xiang Song	31,561	68,550

The amounts due from and to a director are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Bank Balances and Cash

Bank balances carry interest at market rates was 0.01% to 0.35% (2014: 0.01% to 0.35%) per annum.

Bank balances and cash that are denominated in currencies other than the functional currencies of the respective group entities are set out below:

	2015 HK\$'000	2014 HK\$'000
Renminbi ("RMB")	3,487	290
United States Dollars ("US\$")	2,885	9,727

17. Trade Payables

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

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

18. Other Payables and Accruals

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Deferred Income

In October 2011, the Group has entered into a licensing agreement with Zing Co., Limited (“Zing”, an entity which Mr. Zhuang Xiang Song was a director and he resigned from such role in June 2011). Pursuant to the licensing agreement, the Group is entitled to receive annual licensing fee as well as a one-off licensing fee in relation to the grant of rights of using certain animation characters to the licensee for 10 years. During the year ended 31 March 2013, the Group has received the non-refundable one-off licensing fee of approximately HK\$55,000,000, which was amortised over the term of the licensing agreement and unamortised portion was recognised as deferred income. Pursuant to the termination agreement in March 2014, the licensee terminated the licensing agreement and ceased to license these animation characters and the unamortised portion of deferred income of approximately HK\$47,208,000 was recognised to profit or loss as income during the year ended 31 March 2014.

20. Share Capital

The share capital at 31 March 2014 represented the issued and fully paid share capital of China Animation BVI. The share capital at 31 March 2015 represented the issued and fully paid share capital of the Company. Details of movements of share capital of the Company are as follows:

	Number of shares	Share capital HK\$'000
Authorised:		
At 25 September 2013 (date of incorporation) and at 31 March 2014 of HK\$0.01 each (Note a)	38,000,000	380
Decrease through share consolidation of 10 shares of HK\$0.01 each into 1 share of HK\$0.1 (Note a)	(34,200,000)	–
Increase on 16 February 2015 (Note b)	996,200,000	99,620
<hr/>		
At 31 March 2015 of HK\$0.1 each	1,000,000,000	100,000
<hr/>		
HK\$'000		
Issued and fully paid:		
At 25 September 2013 (date of incorporation) and at 31 March 2014 of HK\$0.01 each (Note a)	1	–
Issue of new shares of HK\$0.01 each (Note a)	9	–
Decrease through share consolidation of 10 shares of HK\$0.01 each into 1 share of HK\$0.1 (Note a)	(9)	–
Reorganisation (Note c)	999,999	100
Issue of new shares of HK\$0.1 each (Note d)	428,108,000	42,811
<hr/>		
At 31 March 2015 of HK\$0.1 each	429,108,000	42,911

20. Share Capital (Continued)

Notes:

- (a) On the date of incorporation, the authorised share capital of the Company was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each and 1 share of HK\$0.01 of the Company was allotted and issued to the initial subscriber of the Company, which was transferred to the Mr. Zhuang Xiang Song on the same date. On 31 July 2014, an additional 9 shares were allotted and issued at nil-paid to Mr. Zhuang Xiang Song. Following the said allotment and on the same date, every ten issued and unissued shares of HK\$0.01 each of the Company were consolidated into one share of HK\$0.1. Hence, the authorised share capital of the Company consists of 3,800,000 shares of HK\$0.1 each.
- (b) Pursuant to the resolutions passed by the shareholders of the Company on 16 February 2015, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of additional 996,200,000 ordinary shares of HK\$0.1 each.
- (c) Pursuant to the reorganisation on 6 August 2014, 999,999 shares of HK\$0.1 each of the Company were allotted and issued to, and fully paid by, the existing shareholders of the Group for an aggregate cash consideration of HK\$1 million.
- (d) Pursuant to the sale and purchase agreement entered between the Company, Bright Rise Enterprises Limited ("**Bright Rise**"), a company controlled by Mr. Zhuang Xiang Song, and Phillip Ventures Enterprise Fund 3 Ltd. ("**Phillip Ventures**") on 6 August 2014, Bright Rise disposed of 31,140 existing ordinary shares of HK\$0.1 each of the Company to Phillip Ventures for a cash consideration of S\$4,800,000 (equivalent to HK\$29,668,000). On 14 August 2014, 31,140 new ordinary shares of HK\$0.1 each of the Company were subscribed by Bright Rise for a cash consideration of HK\$29,668,000.

Pursuant to the subscription agreement entered between the Company and Sun Smart Ventures Limited ("**Sun Smart**") on 29 August 2014, 41,620 new ordinary shares of HK\$0.1 each of the Company were subscribed by Sun Smart for a cash consideration of US\$5,000,000 (equivalent to HK\$38,750,000).

On 16 February 2015, the Company allotted and issued a total of 320,755,240 ordinary shares of HK\$0.1 each credited as fully paid at par to the then shareholders by the capitalisation of approximately HK\$32,076,000 in the share premium account of the Company.

On 11 March 2015, the Company issued a total of 107,280,000 ordinary shares of HK\$0.1 each at HK\$3.65 each for cash by way of public offer.

On 12 March 2015, the Company granted over-allotment options to subscribe for 16,092,000 ordinary shares of HK\$0.1 each at HK\$3.65 each to sole global coordinator which were exercisable within 30 days from 12 March 2015 pursuant to the international underwriting agreement entered into by the Company and the international underwriters on 9 March 2015 in respect of the public offer of the Company's shares. No option was exercised within the exercisable period and all options became lapsed at the expiry date.

All the shares issued during the period from 25 September 2013 (date of incorporation) to 31 March 2014 and the year ended 31 March 2015 ranked pari passu in all respects with the then existing shares in issue.

21. Capital Risk Management

The Groups manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The management will balance its overall capital structure through the payment of dividends and the issue of new shares.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Financial Instruments

a. Categories of financial instruments

	2015 HK\$'000	2014 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	477,647	130,634
Financial liabilities		
Amortised cost	72,745	42,273

b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, advances to a supplier, amount due from (to) a director, bank balances and cash, trade payables, other payables and accruals. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effectively manner.

Currency risk

The carrying amounts of the foreign currency denominated monetary assets of the group entities are mainly trade receivables and bank balances and cash as disclosed in notes 13 and 16, respectively. The directors of the Company consider that the Group's exposure on foreign currency risk is insignificant, accordingly no sensitively analysis has been presented. The management continuously monitors the foreign exchange exposure and will consider hedging foreign currency risk should the need arise.

Interest rate risk

The Group's cash flow interest rate risk relates primarily to its floating-rate bank balances. The Group has not used any interest rate swaps in order to mitigate its exposure associated with transactions relating to cash flows interest rate risk. However, the management of the Group will consider hedging significant interest rate exposure should the need arise. In the opinion of management of the Group, the expected change in interest rate on bank balances will not be significant in the near future, hence, sensitivity analysis is not presented.

Credit risk

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group is responsible for determination of credit limits, credit approvals and other monetary procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or state-owned banks located in the PRC.

The Group has concentration of credit risk as 94% (2014: 88%) of the total trade receivables was due from the Group's five largest customers as of 31 March 2015.

The Group also has concentration of credit risk on advances to a supplier. The directors consider the credit risk is significantly reduced as the Group has the right to set off the debt against trade payable to the supplier in the case of default of the settlement.

Other than the concentration of the credit risk on trade receivable and advances to a supplier, the Group do not have any other significant concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest, if applicable, and principal cash flows.

	On demand or within one year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
At 31 March 2015			
Trade payables	36,424	36,424	36,424
Other payables and accruals	36,321	36,321	36,321
	72,745	72,745	72,745
At 31 March 2014			
Trade payables	21,031	21,031	21,031
Other payables and accruals	5,971	5,971	5,971
Amount due to a director	15,271	15,271	15,271
	42,273	42,273	42,273

Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Retirement Benefit Plans

The Group operates a mandatory Provident Fund Scheme (the “Scheme”) for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under control of a trustee. The Group contributes the lower of 5% of relevant payroll costs or HK\$1,000 (increased to HK\$1,250 effective from 1 June 2012 and to HK\$1,500 effective from 1 June 2014) per person to the Scheme, which is matched by employees.

The employees of the Group in the PRC are members of state-managed retirement benefit scheme operated by the PRC government. The Company’s subsidiaries are required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme.

24. Capital Commitments

The Group had the following capital commitments:

	2015 HK\$'000	2014 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	45,142	110,484
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for in the consolidated financial statements	10,141	109,401

25. Other Commitment

Pursuant to the license agreement entered into between China Animation BVI, a subsidiary of the Company, and SEGA Corporation on 31 March 2014, the Group is granted an intellectual property right in the form of trademark and know-how for the establishment and operation of indoor theme park with JOYPOLIS trademark in Shanghai. In connection with the expansion plans into the indoor theme park industry, the Group entered into a joint venture agreement with 深圳市平安泰盛投資有限公司 (for identification purpose, in English, Shenzhen Pingan Taisheng Company Limited, referred to as “Pingan Taisheng”, an entity controlled by Mr. Li Jian, the son of a shareholder of the Company) on 1 August 2014 pursuant to which the Group holds 51% controlling equity interest in 華嘉泰(上海)兒童室內遊樂有限公司 Huajiatai (Shanghai) Children Indoor Playground Company Limited (“Huajiatai PRC”), the joint venture company which operates the JOYPOLIS in Shanghai (the “Shanghai JOYPOLIS”).

Huajiatai PRC was a sino-foreign equity joint venture established in the Shanghai Free-Trade Zone on 26 September 2014 with the business scope of providing indoor theme park. The initial registered capital of Huajiatai PRC is RMB11.0 million, of which the Group is committed to contribute RMB5.61 million and Pingan Taisheng would contribute RMB5.39 million.

The total capital expenditure of the Shanghai JOYPOLIS is expected to be approximately RMB175.9 million (equivalent to HK\$219.9 million) as of 31 March 2015. As of 31 March 2015, the Group has paid deposits for acquisition of game machineries for the Shanghai JOYPOLIS amounting to approximately HK\$119,059,000 and construction in progress of approximately HK\$45,543,000 as included in the consolidated statement of financial position. The respective capital commitment for the Shanghai JOYPOLIS is disclosed as above in note 24.

The Shanghai JOYPOLIS is located in the shopping mall which is situated on Zhongshan North Road, Putuo District, Shanghai. Pursuant to the tenancy agreement of rented premises dated 24 July 2014, Huajiatai PRC is committed for 10-year term of the tenancy with a fixed rent or 4% for the first two years, 5% for third and fourth years and 6% for the remaining years of the revenue before tax of Shanghai JOYPOLIS, whichever is higher. The minimum lease payment of rented premises is disclosed as operating lease commitment in note 26. At the end of the fifth year from the commencement of the lease, the tenancy agreement of rented premises could be terminated by the lessor if certain condition is not satisfied in accordance with the terms of the tenancy agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Operating Lease Commitment

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	2015 HK\$'000	2014 HK\$'000
Office premises		
Within one year	4,215	1,949
In the second to fifth years inclusive	71,649	2,687
Over five years	146,961	–
	222,825	4,636
Motor vehicle		
Within one year	–	54

Included in the above are commitments for future minimum lease payments under non-cancellable operating leases payable to the Controlling Shareholder as follows:

	2015 HK\$'000	2014 HK\$'000
Office premises		
Within one year	2,415	1,808
In the second to fifth years inclusive	–	2,687
	2,415	4,495
Motor vehicle		
Within one year	–	54

Other than the lease arrangement mentioned in note 25, operating lease payments represent rentals payable by the Group for certain of its office premises and motor vehicles. Leases are negotiated for two years for motor vehicles and for five to ten years for premises. Most of rentals are fixed over the respective leases. The majority of lease agreements are renewable at the end of the lease period at market rentals.

27. Related Party Transactions and Balances

(a) Transactions with related companies

During the year, the Group entered into following transactions with related parties:

		2015 HK\$'000	2014 HK\$'000
Shenzhen Huaxia Animation Technology Company Limited ("Shenzhen Huaxia")(Note)	Research and development costs	–	2,221
	Designing fee expense	–	250
	Commission income	202	–
Pingan Taisheng	Joining fee from potential business partner for indoor theme park	–	20,000
Harvest Progress	Joining fee from potential business partner for indoor theme park	25,000	–
Controlling Shareholder	Rental expense for motor vehicle	130	130
	Rental expense for premises	962	962

Note: In December 2013, Mr. Li Jian, son of a shareholder of the Company, acquired 49% equity interest of Shenzhen Huaxia.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Related Party Transactions and Balances (Continued)

- (b) Included in other payables and accruals as disclosed in note 18 was rental payable of approximately HK\$604,000 (2014: Nil) to the Controlling Shareholder as at 31 March 2015.

Details of the outstanding balances with other related parties are set out in the consolidated statement of financial position and in notes 13 and 15.

(c) **Compensation of key management personnel**

The remuneration of key management personnel which represent the executive directors and key executives of the Company during the year was as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and other benefits	1,921	1,545
Incentive performance bonus	221	30
Retirement benefit schemes Contributions	117	34
	2,259	1,609

The remuneration of the key executives is determined having regard to the performance of individuals and market trends.

28. Share-Based Payments

Equity-settled share option scheme of the Company

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a resolution passed on 16 February 2015 for the primary purpose of attracting and retaining the best available personnel, providing additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers ("**Eligible Participants**") of the Group and promoting the success of the business of the Group and will remain in force for a period of ten years commencing on the adoption date and shall expire at 15 February 2025. The board of directors of the Company may grant options to Eligible Participants to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. However, the total maximum number of the shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not exceed 10% of the issued share capital of the Company from time to time. Options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares as stated in the daily quotation sheet issued by the Stock Exchange at the date of the grant) in excess of HK\$5 million, within any 12-month period up to and including the date of grant, are subject to shareholders' approval in advance in a general meeting.

Options granted must be taken up within 30 days from the date of grant, upon payment of a nominal consideration of HK\$1 in total by each grantee. Options may be exercised at any time for a period determined by its directors which shall not be later than the day immediately preceding the tenth anniversary of the date of grant. The exercise price of the share options must be at least the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant of the share options; and (ii) the average closing price of the Company's shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of an ordinary share on the date of grant.

For the year ended 31 March 2015, no share options had been granted and the Company had no share options outstanding at 31 March 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Particulars of Subsidiaries of the Company

Particulars of the Company's subsidiaries as at 31 March 2015 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment/ operation	Issue and fully paid share capital/ registered capital	Attributable equity interest held by the Group		Principal activities
			As of 31 March 2015 %	2014 %	
Directly held					
China Animation Holding (BVI) Limited 華夏動漫集團(英屬處女島)有限公司	BVI 24 June 2014	US\$1	100	N/A	Investment holding
Indirectly held					
China Animation Group Limited 華夏動漫集團有限公司	BVI 27 September 2007	HK\$1,000,000	100	100	Investment holding and trading of animation derivative products and licensing of animation characters
China Animation Group (HK) Limited 華夏動漫集團(香港)有限公司 (previously known as "Animate China Technology Inc. Limited 華夏動漫科技有限公司")	Hong Kong 15 November 2010	HK\$1	100	100	Investment holding
Network China Technology Limited 華夏網絡科技有限公司	BVI 20 June 2014	US\$1	100	N/A	Investment holding
Network China Technology Limited 華夏網絡科技有限公司	Hong Kong 15 November 2010	HK\$1	100	100	Investment holding
深圳華爾德動漫科技有限公司 Shenzhen Wald Animation Technology Company Ltd*#	PRC 19 May 2011	RMB500,000	100	100	Animation derivative product design, trading of animation derivative products and multimedia animation entertainment
China Theme Park Limited 中國主題樂園有限公司	BVI 21 September 2012	US\$1	100	100	Investment holding
China Theme Park Incorporation Limited 華夏樂園有限公司	Hong Kong 16 October 2012	HK\$1	100	100	Investment holding



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Particulars of Subsidiaries of the Company (Continued)

Particulars of the Company's subsidiaries as at 31 March 2015 are as follows: (Continued)

Name of subsidiary	Place and date of incorporation/ establishment/ operation	Issue and fully paid share capital/ registered capital	Attributable equity interest held by the Group As of 31 March		Principal activities
			2015 %	2014 %	
Indirectly held (Continued)					
Animate China Technology Limited 華夏動漫科技有限公司	BVI 20 June 2014	US\$1	100	N/A	Investment holding
Animate China Technology (HK) Limited ("Animate HK") 華夏動漫科技(香港)有限公司	Hong Kong 1 August 2014	HK\$1	100	N/A	Investment holding
China Animation IP Limited 中國動漫知識產權有限公司	BVI 20 June 2014	US\$1	100	N/A	Investment holding
華嘉泰(上海)兒童室內遊樂有限公司 Huajiatai (Shanghai) Children Indoor Playground Company Limited* [^] ("Huajiatai PRC")	PRC 26 September 2014	RMB11,000,000	51	N/A	Operation of indoor theme park

* The English name is for identification purpose only.

Established in the PRC in the form of wholly foreign-owned enterprise.

[^] Huajiatai PRC was established in the PRC in the form of sino-foreign equity joint venture.

The registered capital of Huajiatai PRC is RMB11 million but only RMB1 million was paid at the date of the report. Huajiatai PRC is principally engaged in operation of indoor theme park.

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during the year.

The directors consider the non-wholly owned subsidiary of the Group has not material non-controlling interest, and accordingly, no summarised financial information in respect of respective subsidiary has been presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Statement of Financial Position of the Company

	2015 HK\$'000	2014 HK\$'000
Non-current asset		
Interests in a subsidiary	–	–
Current assets		
Amounts due from subsidiaries	80,180	–
Bank balances and cash	309,231	–
	389,411	–
Current liabilities		
Other payable and accruals	27,861	–
Amount due to a subsidiary	5,000	–
Amount due to a director	–	127
	32,861	127
Net current assets (liability)	356,550	(127)
Net assets (liability)	356,550	(127)
Capital and reserves		
Share capital	42,911	–
Reserves	313,639	(127)
	356,550	(127)

The movements in the reserves of the Company were as follows:

	Share premium HK\$'000	Special reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
At 25 September 2013 (date of incorporation)	–	–	–	–
Loss for the period	–	–	(5,681)	(5,681)
Deemed contribution from shareholders	–	5,554	–	5,554
At 31 March 2014	–	5,554	(5,681)	(127)
Loss for the year	–	–	(61,558)	(61,558)
Issue of new shares	449,255	–	–	449,255
Issue of shares by capitalisation of share premium account	(32,076)	–	–	(32,076)
Transaction costs attributable to issue of new shares	(36,301)	–	–	(36,301)
Deemed distribution to shareholders	–	(5,554)	–	(5,554)
At 31 March 2015	380,878	–	(67,239)	313,639



FOUR YEARS FINANCIAL SUMMARY

	Year ended March 31			
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue	488,283	338,744	283,493	292,299
Cost of sales and services	(301,348)	(173,293)	(157,107)	(176,587)
Gross Profit	186,935	165,451	126,386	115,712
Other income	212	13	–	26
Selling and distribution expenses	(3,590)	(3,314)	(8,550)	(7,470)
Administrative expenses	(30,958)	(14,810)	(17,476)	(8,896)
Listing expenses	(56,706)	(5,554)	(1,187)	(2,446)
Other expense	(753)	–	–	–
Profit before taxation	95,140	141,786	99,173	96,926
Taxation	(23,169)	(11,184)	(13,966)	(14,895)
Profit for the year	71,971	130,602	85,207	82,031
Other comprehensive income (expense) item that may be reclassified subsequently to profit or loss: Exchange difference arising on translation of foreign subsidiaries	91	(7)	(36)	14
Total comprehensive income for the year	72,062	130,595	85,171	82,045
Profit and total comprehensive income for the year attributable to:				
Owners of the Company	75,632	130,602	85,207	82,031
Non-controlling interests	(3,661)	–	–	–
	71,971	130,602	85,207	82,031
ASSETS AND LIABILITIES				
Total assets	714,868	194,085	168,250	109,154
Total liabilities	(159,658)	(109,339)	(131,899)	(72,974)
Net assets	555,210	84,746	36,351	36,180
Total equity attributable to owners of the Company	558,258	84,746	36,351	36,180
Non-controlling interests	(3,048)	–	–	–
Total equity	555,210	84,746	36,351	36,180