



華夏動漫形象有限公司

China Animation Characters Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code:1566)

Interim Report 2017/18



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CORPORATE INFORMATION

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

Suites 2808-2811, Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui East
Kowloon
Hong Kong

Principal Place of Business in China

China Animation Creative Industry Park
(華夏動漫創意產業園)
Youyi Road, Longcheng Street
Longgang District
Shenzhen
The People's Republic of China ("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) *FCCA*

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

Conyers Trust Company (Cayman) Limited

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

Bank of China (Hong Kong) Limited

56 and 58, Sai Kung Town Centre,
22-40 Fuk Man Road, Sai Kung,
New Territories
Hong Kong



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF CHINA ANIMATION CHARACTERS COMPANY LIMITED

華夏動漫形象有限公司

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of China Animation Characters Company Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 4 to 23, which comprise the condensed consolidated statement of financial position as of 30 September 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

28 November 2017

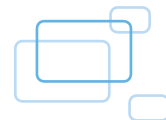




CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Notes	Six months ended 30 September	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue	4	475,114	312,493
Cost of sales and services		(344,999)	(214,394)
Gross profit		130,115	98,099
Other income		4,224	938
Selling and distribution expenses		(18,960)	(5,153)
Administrative expenses		(40,233)	(33,148)
Research and development expenses		(7,866)	(550)
Loss on held-for-trading investments		(25,813)	(5,180)
Exchange loss on held-to-maturity investment and bank borrowings		(1,147)	(455)
Fair value gain on obligation arising from a put option to non-controlling interests		1,988	–
Share of result of an associate		(23)	–
Share of result of a joint venture		(381)	–
Finance costs		(6,043)	(1,345)
Profit before taxation		35,861	53,206
Taxation	5	(5,473)	(14,825)
Profit for the period	6	30,388	38,381
Other comprehensive income (expense):			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurement of defined benefit plans		585	–
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign subsidiaries		3,666	(4,375)
Fair value loss on available-for-sale investments		(44)	–
Other comprehensive income (expense) for the period		4,207	(4,375)
Total comprehensive income for the period		34,595	34,006
Profit for the period attributable to:			
Owners of the Company		28,727	43,826
Non-controlling interests		1,661	(5,445)
		30,388	38,381
Total comprehensive income attributable to:			
Owners of the Company		31,272	41,435
Non-controlling interests		3,323	(7,429)
		34,595	34,006
Earnings per share	8		
– Basic (HK\$)		0.03	0.05
– Diluted (HK\$)		0.03	0.05



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	258,931	249,430
Goodwill		2,423	2,426
Intangible assets	10	81,900	84,486
Available-for-sale investments		9,951	–
Deposits for acquisition of property, plant and equipment		222,332	204,786
Deposit for acquisition of long term investment		5,359	5,359
Interest in an associate		5,856	5,645
Interest in a joint venture		2,032	–
Rental deposits		34,193	33,707
		622,977	585,839
Current assets			
Inventories		722	8,290
Trade receivables	12	701,584	577,632
Other receivables, deposits and prepayments		22,889	22,664
Prepayment to a game developer		9,200	9,200
Held-for-trading investments	13	47,510	66,920
Held-to-maturity investment	11	–	14,171
Pledged bank deposit	14	109,631	95,264
Time deposits		7,250	–
Bank balances and cash		146,911	58,217
		1,045,697	852,358
Current liabilities			
Trade and notes payables	15	13,880	32,377
Other payables and accruals		76,007	91,278
Payable for acquisition of additional interest in a subsidiary		55,979	–
Amount due to a director	16	–	16,587
Amount due to a non-controlling interest		54	26,958
Provision for reinstatement costs for rented premises		293	2,364
Tax payable		127,533	122,003
Guaranteed note	17	193,649	–
Bank and other borrowings – due within one year	19	111,908	94,550
		579,303	386,117
Net current assets		466,394	466,241
Total assets less current liabilities		1,089,371	1,052,080

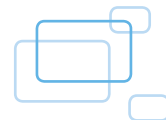




CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Non-current liabilities			
Bank and other borrowings – due after one year	19	18,071	–
Bonds	18	116,616	–
Deferred tax liabilities		6,443	6,449
Retirement benefit obligations		2,069	2,957
Provision for reinstatement costs for rented premises		38,757	38,719
Obligation arising from a put option to non-controlling interests		3,574	6,383
Put option derivatives		1,650	829
		187,180	55,337
Net assets			
		902,191	996,743
Capital and reserves			
Share capital	20	92,006	92,006
Reserves		810,737	879,886
Equity attributable to owners of the Company		902,743	971,892
Non-controlling interests		(552)	24,851
Total equity		902,191	996,743



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Attributable to owners of the Company									Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Investments revaluation reserve HK\$'000	Share-based compensation reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 1 April 2016	85,822	380,878	446	-	1,408	-	201,868	670,422	20,063	690,485
Profit for the period	-	-	-	-	-	-	43,826	43,826	(5,445)	38,381
Exchange difference arising on translation of foreign subsidiaries	-	-	(2,391)	-	-	-	-	(2,391)	(1,984)	(4,375)
Total comprehensive income for the period	-	-	(2,391)	-	-	-	43,826	41,435	(7,429)	34,006
Issue of new shares	1,500	52,500	-	-	-	-	-	54,000	-	54,000
Transaction costs attributable to issue of new shares	-	(1,907)	-	-	-	-	-	(1,907)	-	(1,907)
Dividend recognised as distribution (note 7)	-	-	-	-	-	-	(8,582)	(8,582)	-	(8,582)
Recognition of equity-settled share-based payments	-	-	-	-	5,784	-	-	5,784	-	5,784
At 30 September 2016 (unaudited)	87,322	431,471	(1,945)	-	7,192	-	237,112	761,152	12,634	773,786
At 1 April 2017	92,006	578,726	(132)	-	12,998	168	288,126	971,892	24,851	996,743
Profit for the period	-	-	-	-	-	-	28,727	28,727	1,661	30,388
Other comprehensive income for the period	-	-	2,091	-	-	-	-	2,091	1,575	3,666
Fair value loss on available-for-sale investments	-	-	-	(44)	-	-	-	(44)	-	(44)
Remeasurement on defined benefit pension plans	-	-	-	-	-	498	-	498	87	585
Total comprehensive income for the period	-	-	2,091	(44)	-	498	28,727	31,272	3,323	34,595
Acquisition of additional interest in a subsidiary	-	-	-	-	-	(92,253)	-	(92,253)	(28,726)	(120,979)
Dividend recognised as distribution (note 7)	-	-	-	-	-	-	(18,401)	(18,401)	-	(18,401)
Recognition of equity-settled share-based payments	-	-	-	-	2,305	-	-	2,305	-	2,305
Deemed contribution from a shareholder (note)	-	-	-	-	-	7,928	-	7,928	-	7,928
At 30 September 2017 (unaudited)	92,006	578,726	1,959	(44)	15,303	(83,659)	298,452	902,743	(552)	902,191

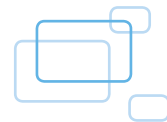
Note: Amount represents deemed contribution from a shareholder in relation to a waiver of amount due to a director, who is also the ultimate controlling shareholder of the Company.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(59,899)	(3,946)
INVESTING ACTIVITIES		
Interest received	397	736
Proceeds of held-to-maturity investment	13,756	–
Proceeds of held-for-trading investment	1,147	–
Purchase of intangible assets	(5,438)	(30,000)
Acquisition of additional interest in a subsidiary	(65,000)	–
Deposits paid for and purchase of property, plant and equipment	(51,581)	(6,147)
Placement of time deposits	(7,250)	–
Purchase of available-for-sale investments	(9,995)	–
Placement of pledged bank deposit	(14,367)	–
NET CASH USED IN INVESTING ACTIVITIES	(138,331)	(35,411)
FINANCING ACTIVITIES		
Proceeds from issue of shares	–	54,000
Advances from a director	1,136	1,176
New bank loans raised	48,311	–
Proceeds from bonds issuance, net of issue expenses	115,246	–
Proceeds from guaranteed note issuance, net of issue expenses	193,579	–
Repayment to a non-controlling shareholder	(26,904)	–
Dividends paid	(18,401)	(8,582)
Transaction cost on issue of shares	–	(1,907)
Repayments to a director	(10,325)	(1,761)
Interest paid	(1,655)	(1,345)
Repayment of bank loans	(13,614)	–
NET CASH FROM FINANCING ACTIVITIES	287,373	41,581
NET INCREASE IN CASH AND CASH EQUIVALENTS	89,143	2,224
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	58,217	81,619
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(449)	473
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, REPRESENTING BANK BALANCES AND CASH	146,911	84,316



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

1. General

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

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

The condensed consolidated financial statements are presented in Hong Kong dollar (“**HK\$**”), which is the same as the functional currency of the Company.

2. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

3. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as appropriate.

Except as described below, the accounting policies and the methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2017.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss (“**FVTPL**”).

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method, are recognised in profit or loss. Dividends on Available-for-sale equity instruments are recognised in profit or loss when the Group’s right to receive the dividends is established. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting.





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

3. Principal Accounting Policies (Continued)

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants that are mandatorily effective for the current interim period.

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. Revenue and Segment Information

Revenue represents revenue arising from trading of animation derivative products, establishment and operation of indoor theme parks and multimedia animation entertainment in Hong Kong, Japan and the PRC during the period.

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.

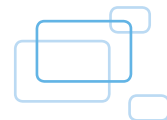
The Group’s operating and reportable segments currently are: (i) trading of animation derivative products, (ii) establishment and operation of indoor theme parks and (iii) multimedia animation entertainment. The CODM considers the Group has three operating and reportable segments which are based on the 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 period ended 30 September 2017 (unaudited)

	Trading of animation derivative products HK\$'000	Establishment and operation of indoor theme parks HK\$'000	Multimedia animation entertainment HK\$'000	Total HK\$'000
Segment revenue	269,399	202,326	3,389	475,114
Segment profit (loss)	80,723	15,351	(5,559)	90,515
Unallocated income				4,224
Unallocated expenses				(27,459)
Loss on held-for-trading investments				(25,813)
Exchange loss on held-to-maturity investment and bank borrowings				(1,147)
Share of result of an associate				(23)
Share of result of a joint venture				(381)
Finance costs				(6,043)
Fair value gain on obligation arising from a put option to non-controlling interests				1,988
Profit before taxation				35,861



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

4. Revenue and Segment Information (Continued)

Segment revenue and results (Continued)

For the period ended 30 September 2016 (unaudited)

	Trading of animation derivative products HK\$'000	Establishment and operation of indoor theme parks HK\$'000	Multimedia animation entertainment HK\$'000	Total HK\$'000
Segment revenue	262,524	47,917	2,052	312,493
Segment profit (loss)	82,500	4,643	(3,651)	83,492
Unallocated income				938
Unallocated expenses				(24,244)
Loss on held-for-trading investments				(5,180)
Exchange loss on held-to-maturity investment				(455)
Finance costs				(1,345)
Profit before taxation				53,206

Segment profit (loss) represents the profit (loss) earned (incurred) by each segment without allocation of certain administrative expenses, share-based payment expenses, loss on held-for-trading investments, exchange loss on held-to-maturity investment and bank borrowings, share of result of an associate and a joint venture, finance costs, fair value gain on obligation arising from a put option to non-controlling interests, income tax expenses and unallocated income and expenses. 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.





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

4. Revenue and Segment Information (Continued)

Segment assets and liabilities

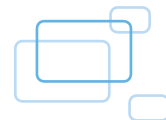
The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

Segment assets

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Trading of animation derivative products	598,664	457,620
Establishment and operation of indoor theme parks	617,014	623,520
Multimedia animation entertainment	83,564	82,398
Total segment assets	1,299,242	1,163,538
Property, plant and equipment	40,680	34,047
Other receivables, deposits and prepayments	5,076	3,614
Goodwill	2,423	2,426
Held-to-maturity investment	–	14,171
Held-for-trading investments	47,510	66,920
Available-for-sale investments	9,951	–
Pledged bank deposit	109,631	95,264
Time deposits	7,250	–
Bank balances and cash	146,911	58,217
Consolidated assets	1,668,674	1,438,197

Segment liabilities

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Trading of animation derivative products	129,413	141,614
Establishment and operation of indoor theme parks	170,193	132,636
Multimedia animation entertainment	217	216
Total segment liabilities	299,823	274,466
Other payables and accruals	21,138	21,681
Amount due to a director	–	16,587
Amount due to a non-controlling interest	54	26,958
Bank and other borrowings	129,979	94,550
Bonds	116,616	–
Guaranteed note	193,649	–
Obligation arising from a put option to non-controlling interest	3,574	6,383
Put option derivatives	1,650	829
Consolidated liabilities	766,483	441,454



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

4. Revenue and Segment Information (Continued)

Segment assets and liabilities (Continued)

Segment assets represent certain property, plant and equipment, intangible assets, deposits for acquisition of property, plant and equipment, deposits for acquisition of long term investment, interest in an associate and a joint venture, inventories, trade receivables, certain other receivables, rental deposits, deposits and prepayments and prepayment to a game developer which are directly attributable to the relevant operating and reportable segments.

Segment liabilities represent trade and notes payables, certain other payables and accruals, payable for acquisition of additional interest in a subsidiary, deferred tax liabilities, retirement benefit obligations, provision for reinstatement costs for rented premises 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.

5. Taxation

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
The tax charge comprises:		
Hong Kong Profits Tax	11,920	14,825
Overprovision in previous year	(6,596)	–
The PRC Enterprise Income Tax (“EIT”)	149	–
	5,473	14,825

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

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Corporate tax in Japan is calculated at 23.4% on the estimated assessable profit for both periods. Pursuant to relevant laws and regulations in Japan, withholding tax is imposed at 20.42% and 5% on dividends declared to local investors and foreign investors, respectively, in respect of profit generated by subsidiaries incorporated in Japan. No provision for Japan corporate income tax has been made for the period as the Japan subsidiary has incurred losses for the period.

The Group only notified the Hong Kong Inland Revenue Department (“IRD”) of its assessable profits for the years of assessment 2008/09 to 2012/13 in February 2014. After filing the respective tax returns, the Group received Notices of Assessment for the year of assessment 2008/09 in March 2014, the year of assessment 2009/10 in May 2014, and the years of assessment 2010/11 to 2012/13 in July 2014 from the IRD which stated that tax payable for the years of assessment 2008/09 to 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. As at 30 September 2017, the IRD has not issued any penalty notice to the Group in respect of the late notification of chargeability for the relevant years, and after seeking professional advice, the directors believe that the risk of the IRD issuing an additional assessment for year of assessment 2011/12 in respect of its offshore income claim is low. Accordingly, the tax provision of approximately HK\$6,596,000 for the year of assessment 2011/12 was reversed during the period ended 30 September 2017.





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

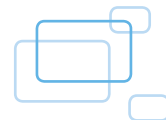
5. Taxation (Continued)

The Group has lodged the offshore profits claims in respect of the trading income (other than trading income derived from Hong Kong affiliates of Japanese customers) and licensing income which were derived 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. As at 31 March 2017, the offshore profits claims are still under review by the IRD. After seeking professional advice, the directors of the Company opined that in the event that the offshore profits claims in respect of the trading income are not accepted but the offshore profits claims in respect of the licensing income are accepted by the IRD, the estimated outstanding tax payable by the Group for the six years ended 31 March 2017 and six months ended 30 September 2017 would be HK\$122,854,000 after considering the overprovision of years of assessment 2008/09 to 2010/11 (31 March 2017: HK\$110,934,000). Having taken into account professional advice, the directors believe that the Group has made appropriate provision in respect of the possible tax liability.

6. Profit for the Period

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Staff costs:		
Directors' emoluments	2,617	3,113
Other staff costs		
Salaries and other benefits	45,411	12,393
Retirement benefits scheme contributions	6,763	1,041
Share-based payments expense	641	1,597
	55,432	18,144
Auditor's remuneration	1,112	804
Cost of inventories recognised as expenses	211,769	178,182
Depreciation of property, plant and equipment	25,617	20,091
Amortisation of intangible assets (included in cost of sales and services)	7,885	1,570
Amortisation of intangible assets (included in administrative expenses)	114	114
Interest income	(397)	(736)
Lease payments under operating leases in respect of rental premises		
Minimum lease payments	25,753	8,618
Contingent rents (note)	1,691	–
Net foreign exchange losses	693	479

Note: The operating lease rentals for indoor theme parks are determined as the higher of a fixed rental or a predetermined percentage on revenue of respective indoor theme parks pursuant to the terms and conditions that are set out in the respective rental agreements.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

7. Dividends

During the current interim period, a final dividend of HK2 cents per share in respect of the year ended 31 March 2017 (31 March 2016: HK1 cent per share) was declared to the owners of the Company. The aggregate amount of the final dividend declared in the interim period amounted to HK\$18,401,000 (31 March 2016: HK\$8,582,000).

The directors do not recommend the payment of an interim dividend during the period ended 30 September 2017 (six months ended 30 September 2016: nil).

8. Earnings Per Share

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the period attributable to owners of the Company)	28,727	43,826
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	920,062	860,183
Effect of dilutive potential shares from the Company's share option scheme	902	2,790
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	920,964	862,973

9. Movements in Property, Plant and Equipment

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK\$198,000 (30 September 2016: HK\$1,382,000).

During the current interim period, the Group paid approximately HK\$19,044,000 (30 September 2016: HK\$5,818,000) for the acquisition of property, plant and equipment to expand its operations.





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

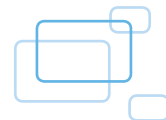
For the six months ended 30 September 2017

10. Intangible Assets

	Film rights and applications HK\$'000 (Note i)	Animation characters HK\$'000 (Note ii)	Indoor theme park right HK\$'000 (Note iii)	Exclusive distribution right HK\$'000 (Note iv)	Trademark HK\$'000 (Note v)	Total HK\$'000
COST						
At 1 April 2016	22,311	5,702	2,279	–	–	30,292
Additions	10,800	–	–	30,000	–	40,800
Arising on acquisition of subsidiaries	–	–	–	–	24,622	24,622
Exchange adjustments	–	–	–	–	1,175	1,175
At 31 March 2017	33,111	5,702	2,279	30,000	25,797	96,889
Additions	5,438	–	–	–	–	5,438
Exchange adjustments	–	–	–	–	(25)	(25)
At 30 September 2017	38,549	5,702	2,279	30,000	25,772	102,302
AMORTISATION						
At 1 April 2016	833	4,749	456	–	–	6,038
Charge for the year	3,163	844	228	1,500	630	6,365
At 31 March 2017	3,996	5,593	684	1,500	630	12,403
Charge for the period	3,102	60	114	1,500	3,223	7,999
At 30 September 2017	7,098	5,653	798	3,000	3,853	20,402
CARRYING VALUES						
At 30 September 2017 (unaudited)	31,451	49	1,481	27,000	21,919	81,900
At 31 March 2017 (audited)	29,115	109	1,595	28,500	25,167	84,486

Notes:

- (i) Film rights and applications represent the acquisition of film rights and applications from production parties for the distribution of films and applications in various videogram formats, film exhibition, licensing and sub-licensing of film titles and mobile phone applications. Film rights and applications are stated at cost less accumulated amortisation and accumulated impairment losses. The costs of film rights and applications are amortised on a straight-line basis over their estimated useful lives starting from the completion of films and applications.
- (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. 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.
- (iv) Exclusive distribution right represents the acquired virtual reality game machine and application worldwide exclusive distribution right from an independent third party. In accordance with the agreement, the exclusive distribution right has an indefinite useful life. The directors of the Company are of the opinion that the useful life of the exclusive distribution right should be no more than 10 years based on the studies performed by the management of the Group on product life cycle, market, competitors and environmental trends.
- (v) The trademark acquired on acquisition of CA Sega Joypolis Limited under Trademark Licence Agreement (the “**Trademark Licence Agreement**”) with SEGA Holdings Co., Ltd. (“**SEGA Holdings**”) for a non-transferrable and non-exclusive right to use and sub-license the JOYPOLIS trademark for the establishment and operation of indoor theme park with JOYPOLIS worldwide. The term of the trademark Licence Agreement is 5 years from the date of the Trademark Licence Agreement which is renewable for another 5 years subject to negotiation among the parties concerned.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

10. Intangible Assets (Continued)

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

Film rights and applications	2–5 years
Animation characters	5 years
Indoor theme park right	10 years
Exclusive distribution right	10 years
Trademark	5 years

11. Held-To-Maturity Investment

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Listed bond security at amortised cost		
Listed on the Singapore Exchange Limited with a fixed coupon interest at 6.25% per annum and maturity date on 22 May 2017	–	14,171

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

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Renminbi (“RMB”)	–	14,171

12. Trade Receivables

The Group generally allows a credit period ranging from 30 days to 90 days to its trade customers except certain major customers with a good track record which may be granted a longer credit period of 180 days.

The following is an analysis of trade receivables by age, presented based on the invoice dates, which approximated the revenue recognition dates:

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
0 to 90 days	166,661	248,875
91 to 180 days	197,125	112,722
181 to 365 days	254,715	194,876
Over 365 days	83,083	21,159
	701,584	577,632





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

13. Held-For-Trading Investments

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Equity securities listed in Hong Kong	47,510	66,920

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

14. Pledged Bank Deposit

Pledged bank deposit represents deposit pledged to a bank to secure banking facilities granted to the Group. The pledged bank deposit carries interest at market rate of 0.55% (31 March 2017: 0.6%) per annum. The deposit will be released within the next twelve months from the end of the reporting period. Accordingly, the amount is included in the current assets.

15. Trade and Notes Payables

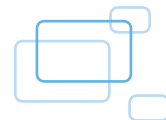
The average credit period on purchases of goods is 30 days. The following is an analysis of trade payables and notes payable by age, presented based on the invoice dates at the end of the reporting period:

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
0 to 30 days	13,663	30,490
31 to 60 days	–	951
Over 90 days	217	936
	13,880	32,377

16. Amount Due to a Director

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Mr. Zhuang Xiang Song	–	16,587

The amount was non-trade nature, unsecured, interest-free and repayable on demand. The amount was waived by the director during the interim period.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

17. Guaranteed Note

HK\$200,000,000 7.5% Secured Guaranteed Note due 2018

On 27 September 2017, the Company issued HK\$200,000,000 of 7.5% secured guaranteed note (the “**Guaranteed Note**”), which would mature on 27 September 2018 and is denominated in HK\$. The interest on the Guaranteed Note is payable semi-annually in arrears.

The Guaranteed Note was secured by the shares pledged and guaranteed by the controlling shareholder of the Company. The proceeds will be utilised for general corporate purpose and other investment opportunities.

18. Bonds

On 29 May 2017 and 11 July 2017, the Company issued bonds at par in an aggregate principal amount of HK\$103,000,000 and HK\$39,000,000 respectively (the “**Bonds**”). The Bonds are denominated in HK\$ and are unlisted. Both Bonds carry interest at a nominal rate of 6% per annum, payable annual in arrears with a maturity period ranging from three to five years unless earlier redeemed or repurchased. The proceeds are being utilised for development of the indoor theme park business and general working capital of the Group.

19. Bank and Other Borrowings

During the period, the Group has drawn new bank borrowings amounting to HK\$48,311,000 (six months ended 30 September 2016: nil). The bank and other borrowings carry interest at variable market rates ranging from 3.15% to 4.09% (31 March 2017: 3.12%) per annum and are repayable on demand or having maturity from 2018 to 2022. The Group repaid bank borrowings of HK\$13,614,000 during the six months ended 30 September 2017 (six months ended 30 September 2016: nil). The proceeds were mainly used to finance the acquisition of property, plant and equipment.

Included in the balance as at 30 September 2017 are secured bank borrowings of HK\$117,830,000 (six months ended 30 September 2016: HK\$94,550,000) which secured by pledged bank deposit.

20. Share Capital

	Number of shares	Share capital HK\$'000
Authorised:		
At 1 April 2015 of HK\$0.1 each	1,000,000,000	100,000
Increase on 16 December 2015 (Note a)	4,000,000,000	400,000
At 31 March 2017 and 30 September 2017 of HK\$0.1 each	5,000,000,000	500,000
HK\$'000		
Issued and fully paid:		
At 1 April 2015 of HK\$0.1 each	429,108,000	42,911
Issues of bonus shares (Note b)	429,108,000	42,911
At 31 March 2016 of HK\$0.1 each	858,216,000	85,822
Issue of new shares (Note c)	61,846,000	6,184
At 31 March 2017 and 30 September 2017 of HK\$0.1 each	920,062,000	92,006



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

20. Share Capital (Continued)

Notes:

- (a) Pursuant to the resolutions passed by the shareholders of the Company on 16 December 2015, the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$500,000,000 by the creation of additional 4,000,000,000 ordinary shares of HK\$0.1 each.
- (b) In December 2015, the Company distributed an interim dividend for the period ended 30 September 2015 by way of an issue of bonus shares of 429,108,000 with par value of HK\$0.1 each, giving rise to an increase in share capital of approximately HK\$42,911,000.
- (c) On 24 August 2016, the Company entered into a placing agreement (the "**Placing Agreement**") with a placing agent, an independent third party, to place up to 20,000,000 placing shares of the Company of HK\$3.6 each to not less than six placees who were not acting in concert with connected persons of the Company. The Placing was completed on 1 September 2016 in accordance with the terms and conditions of the Placing Agreement under which a total of 15,000,000 placing shares has been successfully placed by the placing agent to not less than six placees at the placing price of HK\$3.6 per share.

Pursuant to the subscription agreement entered between the Company and its parent and ultimate holding company, Bright Rise Enterprises Limited ("**Bright Rise**") on 24 August 2016, 15,000,000 new ordinary shares of HK\$0.1 each of the Company were subscribed by Bright Rise for a cash consideration of HK\$54,000,000 on 7 September 2016.

Pursuant to the subscription agreements entered between the Company and subscribers on 16 December 2016 and 6 January 2017, an aggregate of 46,846,000 subscription shares of HK\$0.1 each of the Company was subscribed by subscribers for a cash consideration of HK\$152,249,500. All subscribers were independent third parties.

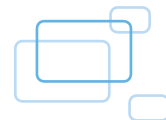
All the shares issued ranked pari passu in all respects with the then existing shares in issue.

21. Capital Commitments

At the end of reporting period, the Group had the following capital commitments:

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of		
– acquisition of property, plant and equipment and intangible assets	7,862	7,621
– investments in subsidiaries	33,300	33,622
– investment in an associate	5,829	5,992
– acquisition of equity interest on non-controlling interests from Sega Sammy Holdings Inc. (note)	14,587	13,930
	61,578	61,165

Note: The amount represents the maximum exposure on the put price if the put option had been exercised on or after the fifth anniversary of the Completion Date and until the day immediately before the sixth anniversary of Completion Date.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

22. 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-cancellable operating leases which fall due as follows:

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Office and other premises		
Within one year	37,585	49,757
In the second to fifth years inclusive	76,010	86,782
Over five years	4,832	4,857
	118,427	141,396
Motor vehicle		
Within one year	169	169
In the second to fifth years inclusive	169	254
	338	423

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

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Office and other premises		
Within one year	2,272	2,767
In the second to fifth years inclusive	984	2,231
	3,256	4,998
Motor vehicle		
Within one year	169	169
In the second to fifth years inclusive	169	254
	338	423

Operating lease payments represent rentals payable by the Group for certain of its office and other premises and motor vehicles. Leases are negotiated for three years for motor vehicles and for one to six years for office and other premises. The majority of lease agreements are renewable at the end of the lease period at market rentals.





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

22. Operating Lease Commitment (Continued)

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Within one year	754	558
In the second to fifth years inclusive	1,060	457
	1,814	1,015

23. Related Party Disclosures

(a) Related and connected party transactions

During the current interim period, the Group entered into following transactions with related parties, certain of which is also deemed to be connected parties pursuant to the Listing Rules. Significant transactions with these parties during the period as follows:

		Six months ended 30 September 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Controlling Shareholder	Rental expense for motor vehicle	85	65
	Rental expense for premises	1,060	1,140
SEGA Holdings	Royalty expense for trademark licence	1,868	–

(b) Guarantees provided by related parties and pledges over assets of related parties

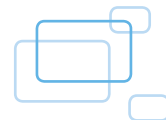
Details of personal guarantees provided by related parties and details of pledges over assets of related parties in connection with the guaranteed note are set out in note 17.

(c) Details of the outstanding balances with other related parties are set out in note 16.

(d) Compensation of key management personnel

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

	Six months ended 30 September 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Salaries and other benefits	3,666	3,589
Retirement benefit schemes contributions	131	131
Share-based payments expense	932	2,383
	4,729	6,103



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

24. 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.

At 30 September 2017, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 21,455,400 (31 March 2017: 21,455,400), representing 2.33% (31 March 2017: 2.33%) of the shares of the Company in issue at that date. As at 30 September 2017, the number of securities of the Company available for issue under the Scheme was 70,550,800, representing approximately 7.67% of the issued share capital of the Company as at 30 September 2017. The total number of shares of each Eligible Participant in respect of which options that 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 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.

Details of specific categories of options are as follows:

Date of grant	Vesting period	Exercisable period	Outstanding at 30 September 2017 and 31 March 2017
29 February 2016	29 February 2016–31 August 2016	1 September 2016–28 February 2021	4,291,080
29 February 2016	29 February 2016–27 February 2017	28 February 2017–28 February 2021	4,291,080
29 February 2016	29 February 2016–27 February 2018	28 February 2018–28 February 2021	4,291,080
29 February 2016	29 February 2016–27 February 2019	28 February 2019–28 February 2021	4,291,080
29 February 2016	29 February 2016–27 February 2020	28 February 2020–28 February 2021	4,291,080
			21,455,400

During the six months ended 30 September 2017, no option was granted.

The Group recognised the share-based payments of HK\$2,305,000 for the six months ended 30 September 2017 in relation to share options granted by the Company.

25. Event after the end of the Reporting Period

Subsequent to the end of the reporting period, the Company reached an agreement with a grantee of the share option scheme, the share options granted under the share option scheme of the Company in February 2016 was cancelled. The directors of the Company are in the process of assessing the financial impact on the cancellation of share options.





MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in different businesses in the animation 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. In January 2017, the Group completed the acquisition of 85.1% equity interest in Sega Live Creation Inc. (currently known as CA Sega Joypolis Limited) and has been engaged in operations of Joypolis theme parks in Japan since then. The business objective of the Group is to establish a multi-media business in the PRC and other countries and in this connection, the Group has been actively expanding its business during the six months ended 30 September 2017 as well as the development of animation business featuring the proprietary animation characters developed by the Group.

Business Review

Trading of animation-derived products

The core business of the Group is trading of animation-derived products featuring a wide range of popular third-party owned animation characters. The Group's product range includes general plastic toys, food-grade toys (toys that are sold by the Group's customers with food and are packaged with candy) procured from suppliers.

Most of the Group's customers are companies in Japan sourcing animation-derived products for toys companies in Japan market for, leading outdoor theme parks in Japan and toy distributors of other countries located in Japan. Through the provision of quality toy products and value-added 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 to certain customers in accordance with their request. These services differentiate the Group from other toy traders which do not provide additional services to customers.

Indoor theme parks

The Group is currently operating four leading indoor interactive entertainment parks in the PRC and Japan, namely Shanghai, Qingdao, Tokyo and Osaka.

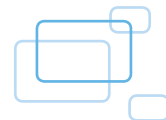
JOYPOLIS targets the young population and provides them with thrilling animation amusement rides and an exciting interactive experience by creating a fantasy world presenting an intense digital animation experience enabled by video production through cutting-edge technology.

During the period, the Group further expanded its theme park business by entering into an option agreement with Jovial Century Investments Limited and 深圳市平安泰盛投資有限公司 (Shenzhen PingAn TaiSheng Investment Company Limited) to acquire the remaining 49% equity interest in 華嘉泰(上海)室內遊樂有限公司 (HuaJiaTai (Shanghai) Indoor Amusement Co., Ltd.), a subsidiary which operates Shanghai Joypolis. Following the completion of acquisition on 7 August 2017, the Group owns the entire equity interest in the company operating Shanghai Joypolis. Further information is set forth in the announcement of the Company dated 7 August 2017.

This acquisition enables the Group to consolidate its equity interest in the Shanghai Joypolis and will place the Group in a better position to manage and develop Shanghai Joypolis with enhancement in the management and administration efficiency in operation and contribute greater revenue to the Group and the Shareholders. The acquisition was also consistent with the theme park development strategy and expansion plan of interactive entertainment parks of the Group.

In view of the market potential for indoor theme park with a gross floor area of about 1,000 sq.m and targets for 2-12 years old children, we plan to establish "Wonder Forest", which is smaller in size as compared with Joypolis. The first "Wonder Forest" has opened on 1 January 2015 as phase 1 of Shanghai Joypolis. The Group will continue to cooperate with a land developer to develop "Wonder Forest" in cities in Southern China. A joint venture has been set up to operate the first Wonder Forest in Shenzhen with a gross floor area of about 700 sq.m.

The Group plan to continue the expansion of "Wonder Forest" in other PRC cities, such as Tianjin and Wuxi.



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review (Continued)

Indoor theme parks (Continued)

The Group has launched new amusement rides and games using the VR technology. In addition, “Zero Latency” which is a VR shooting game developed in Australia, has been launched in Tokyo Joypolis. The Group has also launched another VR shooting game “Mortal Blitz” which is developed in South Korea in Shanghai Joypolis and Qingdao Joypolis.

Multimedia animation entertainment

The Group uses VR technology to create an animation game environment, thereby generating potential opportunities and strong development momentum. The Group plans to cooperate with third parties to run the VR gaming centre and develop game content. As part of its efforts, the Group has opened VR gaming centres in Shanghai and Shenzhen which provides VR games and wearable devices themed with its proprietary animation characters. These centres are adjacent to *Shanghai JOYPOLIS* and located in Central Book City (深圳中心書城), Futian, Shenzhen respectively. The visitors can wear VR glasses and they can experience a 360-degree VR experience to access the virtual three – dimensional environment and enjoy a multi-sensory interaction.

The Group had launched eleven animation games featuring “Violet” (紫嫣) and “HanBaGui” (憨八龜) as at 30 September 2017, including eight virtual reality (“VR”) games, two mobile games and one online game via Internet.

Commercialisation of the proprietary animation characters

While the existing animation business and animation character toys business remains its core businesses, the Group is accelerating the development of animation characters and plans to expand the commercialization of the animation characters into the mobile game segment through different media.

The Group participated Shenzhen Cartoon Animation Festival, China Digital Entertainment Expo & Conference and ACGHK in July 2017 for the promotion of “Violet” (紫嫣) and VR Animation games and the animation characters of the Group.

Financial Review

The following sets forth a summary of the performance of the Group for the six-month ended 30 September 2017 with comparative figures as follows:

	For the six months ended 30 September	
	2017	2016
Revenue (HK\$'000)	475,114	312,493
Gross profit (HK\$'000)	130,115	98,099
Gross profit margin (%)	27.4	31.4
Profit attributable to the owners of the Company (HK\$'000)	28,727	43,826
Adjusted EBITDA (HK\$'000)	101,451	87,936

Revenue

The revenue increased by HK\$162.6 million, or 52.0%, from HK\$312.5 million for the six months ended 30 September 2016 to HK\$475.1 million for the six months ended 30 September 2017. The increase was primarily due to an increase of HK\$154.4 million from revenue of the operation of an indoor theme park through acquisition of CA Sega.





MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review (Continued)

Trading of animation derivative products

The revenue from trading of animation derivative products increased by 2.6% from HK\$262.5 million for the six months ended 30 September 2016 to HK\$269.4 million for the six months ended 30 September 2017 primarily due to an increase in higher unit price products sold to a major customer.

Establishment and operation of indoor theme parks

With the effect of the completion of acquisition CA Sega and *Shanghai JOYPOLIS*, the revenue from establishment and operation of indoor theme parks increased by 322.3% from HK\$47.9 million for the six months ended 30 September 2016 to HK\$202.3 million for the six months ended 30 September 2017. The number of visitors based on ticket sales significantly increased by 408.0% from 389,592 for the six months ended 30 September 2016 to 1,979,191 for the six months ended 30 September 2017.

The analysis of the number of visitors is set out below:

	2017	2016
PRC	495,105	389,592
Japan	1,484,086	N/A

Multimedia animation entertainment

The revenue from multimedia animation entertainment increased by HK\$1.3 million, or 61.9%, from HK\$2.1 million for the six months ended 30 September 2016 to HK\$3.4 million for the six months ended 30 September 2017. The revenue from multimedia animation entertainment included ticket sales for VR Game Centre, trading of VR gaming machines and event activities.

Cost of sales and services

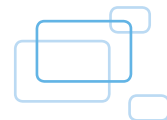
The cost of sales and services increased by HK\$130.6 million, or 60.9%, from HK\$214.4 million for the period ended 30 September 2016 to HK\$345.0 million for the six months ended 30 September 2017. The increase was primarily due to the increase in the operating cost relating to theme park business after completion of acquisition of a majority equity interest in CA Sega on 1 January 2017 and further acquisition of *Shanghai JOYPOLIS* on 7 August 2017.

Gross profit and gross profit margin

The Group's gross profit increased by HK\$32.0 million, or 32.6%, from HK\$98.1 million for the six months ended 30 September 2016 to HK\$130.1 million for the six months ended 30 September 2017. The Group's gross profit margin decreased from 31.4% for the period ended 30 September 2016 to 27.4% for the six months ended 30 September 2017. The decreased in the gross profit was mainly due to the increase in the operating cost relating to theme park business after completion of acquisition of a majority equity interest in CA Sega and *Shanghai JOYPOLIS* as mentioned above.

Other income

Other income increased by HK\$3.3 million from HK\$0.9 million for the six months ended 30 September 2016 to HK\$4.2 million for the six months ended 30 September 2017. The increase was primarily due to the advertising income received from organising event activities of HK\$2.0 million (2016: nil).



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review (Continued)

Selling and distribution expenses

The selling and distribution expenses increased by HK\$13.8 million, or 265.4%, from HK\$5.2 million for the six months ended 30 September 2016 to HK\$19.0 million for the six months ended 30 September 2017. The Group's selling and distribution expenses as a percentage of revenue increased from 1.7% for the six months ended 30 September 2016 to 4.0% for the six months ended 30 September 2017.

Research and development expenses

The research and development expenses increased by HK\$7.3 million from HK\$0.6 million for the six months ended 30 September 2016 to HK\$7.9 million for the six months ended 30 September 2017. The increase was primarily due to the completion of acquisition of CA Sega which is the main centre for researching and developing new amusement rides and games for indoor theme parks.

Profit attributable to the owners of the Company

The profit attributable to the owners of the Company decreased by HK\$15.1 million, or 34.5%, from HK\$43.8 million for the six months ended 30 September 2016 to HK\$28.7 million for the six months ended 30 September 2017. The decrease was primarily due to fair value change on financial assets at fair value through profit or loss of HK\$25.8 million.

Non-HKFRS measures

To supplement the result in this announcement which are presented in accordance with HKFRS, adjusted EBITDA are used as additional financial measures. The Group also believes that these non-HKFRS measures provide useful information to investors and others to understand and evaluate the Group's consolidated results for the purpose of comparing financial results across accounting periods and to those of our peer companies.

The following table sets forth the Group's non-HKFRS financial data for the periods presented:

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
Profit for the period	30,388	38,381
Interest income	(397)	(736)
Finance cost	6,043	1,345
Taxation	5,473	14,825
Depreciation	25,617	20,091
Amortisation	7,999	1,684
EBITDA	75,123	75,590
Write-off on property, plant and equipment	198	1,382
Fair value change on financial assets at fair value through profit or loss	25,813	5,180
Fair value gain on obligation arising from a put option to non-controlling interests	(1,988)	–
Share-based payments expense	2,305	5,784
Adjusted EBITDA	101,451	87,936





MANAGEMENT DISCUSSION AND ANALYSIS

Business Prospects

Looking ahead, in addition to the core business of trading of animation derivative products of the Group, 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 continue to be used for the purpose of promoting different business segments with synergistic benefits.

Movie and television programmes

In April 2017, the Group invested and participated in production of an animation series of “The Reflection” and the Group can share 22% of the net profit generated from the series. It has been launched and released in Japan in July 2017 and will continue to pursue to be launched in other countries including the PRC. The Group has the right to manufacture and distribute the toys of all the animation characters in the series in the Greater China.

Online entertainment and mobile applications

On the online business, the Group had launched eleven animation games using the VR technology. 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.

Indoor theme parks

After the completion of acquisition of Sega Live Creation Inc., (currently known as CA Sega Joypolis Limited) (“CA Sega”) in January 2017 and the full operation of *Shanghai Joypolis*, indoor theme park business of the Group is now the most flourishing business in the Group. As SEGA SAMMY Group remains a shareholder holding 14.9% of the equity interest in CA Sega, the Directors believe that the partnership with SEGA SAMMY Group will strengthen the position of the Group.

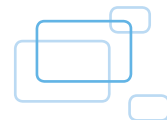
Looking ahead, the Group will continue to develop the amusement parks in major cities of the PRC by working with partners through licencing and cooperation with land developers. To achieve this objective, the Group will setup of “JOYPOLIS” and “Wonder Forest” project fund with interested partners.

The Group will also cooperate with land developers for the opening of “Wonder Forest” theme parks. The Group plans to open 150 “Wonder Forest” theme parks in first-tier and second-tier cities in the PRC, with key focus on the following regions: the Beijing-Tianjin-Hebei region covering Beijing, Tianjin and Xiongan New Area; the Yangtze River Delta covering core cities namely Shanghai, Wuxi, Changzhou, Suzhou, Nanjing and Zhejiang; and the Guangdong-Hong Kong-Macau Bay Area covering Hong Kong, Shenzhen, Dongguan, Guangzhou, Zhongshan, Zhuhai and Macau. In particular, the Group will open flagship Wonder Forest in Tianjin, Wuxi and Shenzhen which will further enhance the CA SEGA brand as well as the Group’s revenue.

Commercialisation of animation characters

While the existing animation business and animation character toys business remain as its core businesses, the Group is also accelerating the development of animation characters and plans to expand the commercialisation of the animation characters into the mobile game segment through different media.

The Group will continue to promote “Violet” (紫嫣) and its virtual reality animation games and other cartoon characters. For example, the Group will produce more films and animation. The Group will promote the products derived from “Violet” (紫嫣) outside the PRC through different media and music as well as VR and MR technologies.



MANAGEMENT DISCUSSION AND ANALYSIS

Business Prospects (Continued)

Commercialisation of animation characters (Continued)

The Group also continues to explore business opportunities relating to Internet business which may facilitate the development and commercialization of its animation business and animation characters business. 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, the Group will enhance its product content and value and in turn bolster the Group's overall competitiveness in the animation entertainment business across different media. The Group's business plans have been carefully evaluated and are expected to continue to promote its businesses. The Directors are therefore very positive on the business prospects of the Group.

Multimedia entertainment

In view of the increasing demand in the animation and multimedia industry, the Group is actively exploring its VR and mobile games electronic sports (eSports) business, under its dual online and offline strategy. eSports is offered under mobile gaming and online gaming to capture market share. For the offline segment, VR and mobile games eSports are launched at the indoor animation amusement parks of CA SEGA JOYPOLIS, where participants can have first-person experience in combat and have a taste of the overwhelming attractiveness of VR eSports.

Use of Net 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 at 30 September 2017, approximately HK\$225.6 million of the net proceeds had been used by the Group. The unutilised net proceeds were deposited with a licenced bank in Hong Kong. The following sets forth a summary of the utilisation of the net proceeds:

	Original planned allocation of net proceeds from the Global Offering		Actual utilised as at 30 September 2017	Unutilised as at 30 September 2017
	%	HK\$'million	HK\$'million	HK\$'million
For the capital expenditure and the working capital for the <i>Shanghai JOYPOLIS</i> and for use in planning the next <i>JOYPOLIS</i>	40.0	119.4	119.4	–
For possible investment in, acquisition of, and/or formation of strategic cooperation with, domestic or international companies which operate animation-related businesses, including without limitation, animation-related event organisers, mobile and internet applications developers and animation-related multi-media platforms	30.0	89.6	42.0	47.6
For the development, production and technical enhancement of music animation concerts and the related promotional and marketing activities and the development of consignment sales business	20.0	59.7	34.3	25.4
For working capital and general corporate purposes	10.0	29.9	29.9	–
Total	100.0	298.6	225.6	73.0



MANAGEMENT DISCUSSION AND ANALYSIS

Capital Structure, Liquidity and Financial Resources

As at 30 September 2017, the authorized share capital of the Company was HK\$500.0 million divided into 5,000,000,000 shares of HK\$0.1 each and the issued share capital of the Company was approximately HK\$92.0 million divided into 920,062,000 shares of HK\$0.1 each.

As at 30 September 2017, the cash and bank balances of the Group were HK\$161.0 million (31 March 2017: HK\$58.2 million). The increase was mainly due to the placing of bonds and issue of notes during the six months ended 30 September 2017.

As at 30 September 2017, the Group had a gearing ratio (calculate as total bank loans, amount due to a director, amount due to non-controlling interest, guaranteed note and bonds, divided by total assets) of 26.4% (31 March 2017: 9.6%). The total loans of the Group included interest-bearing bank borrowings, amount due to a director, amount due to non-controlling interests, guaranteed note and bonds.

On 29 May 2017, the Company, as an issuer, entered into the placing agreement with Pacific Foundation Securities Limited who acted as the placing agent. The placing agent has conditionally agreed to procure, on a best effort basis, independent placees in cash for the bonds of an aggregate principal amount of HK\$103,000,000. The placing was completed on 11 August 2017. The bonds are transferable subject to the consent from the Company. The bonds will become due on the date immediately following 36 months after the date issue of the bonds. The bonds bear interest at a rate of 6% per annum, payable annually in arrears.

On 11 July 2017, the Company, as an issuer, entered into the placing agreement with Crosby Securities Limited who acted as the placing agent. The placing agent has conditionally agreed to procure, on a best effort basis, independent placees in cash for the bonds of an aggregate principal amount of HK\$100,000,000. As at 30 September 2017, amounting to HK\$39,000,000 bonds was issued. The bonds are transferable subject to the consent from the Company. The bonds will become due on the date immediately preceding the fifth anniversary of the date issue of the bonds. The bonds bear interest at a rate of 6% per annum, payable annually in arrears.

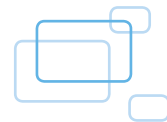
On 27 September 2017, the Company issued HK\$200,000,000 of 7.5% secured guaranteed note (the “**Guaranteed Note**”) to Wan Tai Investments Limited (萬鈦投資有限公司), a limited liability company incorporated in the British Virgin Islands. It is indirectly and wholly-owned by CCB International (Holdings) Limited. CCB International (Holdings) Limited is an investment services flagship which is indirectly and wholly-owned by China Construction Bank Corporation, a joint-stock company incorporated in the PRC and listed on the Main Board of the Stock Exchange (stock code: 0939) and the Shanghai Stock Exchange (stock code: 601939). The Guaranteed Note would mature on 27 September 2018 and is denominated in HK\$. The interest on the Guaranteed Note is payable semi-annually in arrears.

The Guaranteed Note was secured by the shares pledged and guaranteed by controlling shareholder of the Company. The proceeds will be utilised for general corporate purpose and other investment opportunities.

On 6 October 2017, the Company reached an agreement with a grantee, which is a third-party consulting company, that the 8,582,160 share options granted to it under the Share Option Scheme of the Company in February 2016 would be cancelled with immediate effect. The cancellation has been made following arm’s length negotiations between the Company and the consulting company with reference to the services rendered by the consulting company. The Directors believe that the cancellation of the share options has no material impact on the business and financial conditions of the Group.

Treasury Policies

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the six months ended 30 September 2017. 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 structure of the Group’s assets, liabilities and other commitments can meet its funding requirements from time to time.



MANAGEMENT DISCUSSION AND ANALYSIS

Capital Commitments

As at 30 September 2017, capital commitments of the Group amounted to HK\$61.6 million (31 March 2017: HK\$61.2 million).

Significant Investments Held

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

In September 2016, the Group acquired the worldwide exclusive distribution right of VR game machine and application from an independent third party at a consideration of HK\$30.0 million. In accordance with the agreement, the exclusive distribution right has an infinite useful life. The Directors are of the opinion that the useful life of the exclusive distribution right should be no more than 10 years based on the studies performed by the management of the Group on product life cycle, market, competitors and environmental trends.

Future Plans for Material Investments and Capital Assets

The Group will continue to develop the amusement parks in major cities in the PRC and the virtual reality technology projects including setting up partnerships with an independent third party for selling of VR equipment and development of VR game contents.

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

Mortgages and Pledges

As at 30 September 2017, a bank deposit of the Group with a carrying value of approximately HK\$109.6 million (31 March 2017: HK\$95.3 million) was pledged to a bank for banking facilities obtained.

Contingent Liabilities

The Group did not have significant contingent liabilities as at 30 September 2017 (31 March 2017: 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, Japanese Yen or US dollars. Management of the Group is closely monitoring foreign exchange risks and would consider the use of hedging instruments as and when appropriate.

Environmental Policy

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





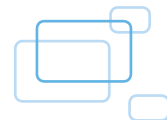
MANAGEMENT DISCUSSION AND ANALYSIS

Employees and Remuneration Policies

As at 30 September 2017, the Group had 439 employees (30 September 2016: 173 employees). For the six months ended 30 September 2017, employees' remuneration and benefits in kind and contribution to the pension scheme (including the Directors' remuneration and benefits in kind and contribution to the pension scheme) amounted to HK\$55.4 million (six months ended 30 September 2016: HK\$18.1 million). The increase was mainly attributable to the increase of HK\$37.8 million in employee remuneration and the decrease of HK\$0.5 million in the Directors' remuneration. The Group's remuneration package is determined with reference to the experience and qualification of the individual employees and the general market conditions. The Group also ensures that all employees are provided with adequate training and continued professional opportunities according to their needs. A share option scheme has been established to provide incentives and remuneration to eligible Directors and employees of the Group in recognition of their contributions. On 29 February 2016, 21,455,400 options have been granted to the eligible Directors, employees and two consulting firms pursuant to the share option scheme adopted by the Company on 16 February 2015.

Public Float

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



OTHER INFORMATION

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

As of 30 September 2017, 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	Number of shares	Approximate percentage of shares in issue
ZHUANG Xiangsong	Interest of controlled corporation (Note 1)	Bright Rise	373,336,000 (L)	40.57%
	Interest in persons acting in concert (Note 2)	–	494,266,000 (L)	53.72%
	Spouse interest (Note 3)	–	494,266,000 (L)	53.72%
TING Ka Fai Jeffrey	Interest of controlled corporation (Note 4)	Bonville Glory Limited	12,900,000 (L)	1.40%
	Interest in persons acting in concert (Note 2)	–	494,266,000 (L)	53.72%

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 shareholdings. 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 of the Company dated 28 February 2015 (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 Glory Limited are held by Mr. TING.

Save as disclosed above, as at 30 September 2017, 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 Hong Kong Stock Exchange pursuant to the Model Code.



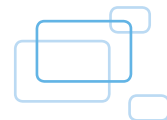


OTHER INFORMATION

Substantial Shareholders

As of 30 September 2017, 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	373,336,000	40.57
		Interest in persons acting in concert ⁽¹⁾	494,266,000	53.72
	Newgate (PTC) Limited as trustee of The Fortune Trust created by Mr. ZHUANG Xiangsong	Interest in a controlled corporation ⁽²⁾	373,336,000	40.57
		Interest in persons acting in concert ⁽¹⁾	494,266,000	53.72
	Mr. ZHUANG, Ms. LI Ruifang and their children, being the beneficiaries of The Fortune Trust	Interest in a controlled corporation ⁽²⁾	373,336,000	40.57
		Interest in persons acting in concert ⁽¹⁾	494,266,000	53.72
	Fortress Strength Limited	Beneficial owner	16,092,000	1.75
		Interest in persons acting in concert ⁽¹⁾	494,266,000	53.72
	Ms. LI Ruifang	Interest in a controlled corporation ⁽³⁾	16,092,000	1.75
		Interest in persons acting in concert ⁽¹⁾	494,266,000	53.72
		Spouse interest ⁽⁴⁾	494,266,000	53.72
	Dragon Year Group Limited	Beneficial owner	50,280,000	5.46
		Interest in persons acting in concert ⁽¹⁾	494,266,000	53.72
	Mr. Shinichiro IKEDA	Personal interest	12,000,000	1.30
		Interest in persons acting in concert ⁽¹⁾	494,266,000	53.72



Substantial Shareholders (Continued)

Name of Shareholders	Capacity	Number of shares	Shareholding percentage of shares in issue (%)
Bonville Glory Limited	Beneficial owner	12,900,000	1.40
	Interest in persons acting in concert ⁽¹⁾	494,266,000	53.72
Mr. TING Ka Fai Jeffrey	Interest in a controlled corporation ⁽⁵⁾	12,900,000	1.40
	Interest in persons acting in concert ⁽¹⁾	494,266,000	53.72
East Jumbo Development Limited	Beneficial owner	29,658,000	3.22
	Interest in persons acting in concert ⁽¹⁾	494,266,000	53.72
Ms. OR Den Fung Bonnie	Interest in a controlled corporation ⁽⁶⁾	29,658,000	3.22
	Interest in persons acting in concert ⁽¹⁾	494,266,000	53.72
Short position	Nil	Nil	Nil

Notes:

- (1) Pursuant to the concert party agreement, the concert parties have agreed with certain arrangements pertaining to their shareholdings. 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 373,336,000 Shares.
- (3) Ms. LI is the sole beneficial owner of all issued shares of Fortress Strength which is the registered and beneficial owner of 16,092,000 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. TING is the sole beneficial owner of all issued shares of Bonville which is the registered and beneficial owner of 12,900,000 Shares.
- (6) Ms. OR is the sole beneficial owner of all issued shares of East Jumbo which is the registered and beneficial owner of 29,658,000 Shares.

Save as disclosed above, as of 30 September 2017, 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.





OTHER INFORMATION

Purchase, Sale or Redemption of Shares

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

Audit Committee and Review of Interim Results

The audit committee of the Company consists of three independent non-executive Directors, namely Mr. TSANG Wah Kwong (Chairman), Mr. HUNG Muk Ming and Mr. NI Zhenliang. The Company's interim results for the six months ended 30 September 2017 have been reviewed by the audit committee. The audit committee is of the view that the applicable accounting standards and requirements have been complied with by the Company and that appropriate disclosures have been made.

The results for the current interim period have been reviewed by our auditor, Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants in Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Compliance with Code on Corporate Governance Practices

The Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the period, except for the following deviation:

Code Provision A.2.1

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

Compliance with Model Code of Listing Rules

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the "**Model Code**") as its own code of conduct regarding securities transaction by Director of the Company. Having made specific enquiry with the directors, all directors confirmed that they have fully complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2017.

By order of the Board

Zhuang Xiangsong

Chairman

Hong Kong, 28 November 2017