



華夏動漫形象有限公司

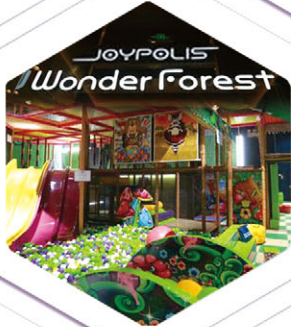
China Animation Characters Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code:1566)

華夏動漫集團

Interim Report **2015**





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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

Suite 2102, 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
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

Codan Trust Company (Cayman) Limited

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

Compliance Adviser

Quam Capital Limited

18th Floor, China Building
29 Queen's Road Central
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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS 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)

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 22, which comprise the condensed consolidated statement of financial position as of 30 September 2015 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 Main Board Listing 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 ("**HKICPA**"). 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 HKICPA. 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.

Without qualifying our review conclusion, we draw attention to the fact that the comparative 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 ended 30 September 2014 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

20 November 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2015

	Notes	Six months ended 30 September	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue	4	258,621	214,316
Cost of sales and services		(196,123)	(139,796)
Gross profit		62,498	74,520
Other income		1,162	203
Selling and distribution expenses		(6,365)	(1,692)
Administrative expenses		(21,422)	(13,014)
Listing expenses		–	(11,642)
Finance costs		(148)	–
Other expense		–	(753)
Profit before taxation		35,725	47,622
Taxation	5	(10,952)	(11,666)
Profit for the period	6	24,773	35,956
Other comprehensive expense: Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign subsidiaries		(455)	(67)
Total comprehensive income for the period		24,318	35,889
Profit (loss) for the period attributable to:			
Owners of the Company		32,124	35,956
Non-controlling interests		(7,351)	–
		24,773	35,956
Total comprehensive income (expense) attributable to:			
Owners of the Company		31,645	35,889
Non-controlling interests		(7,327)	–
		24,318	35,889
Earnings per share	8		
– Basic (HK\$)		0.07	0.12

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

	Notes	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	134,697	102,908
Intangible assets	10	25,471	6,476
Held-to-maturity investment	11	14,909	–
Deposits for acquisition of property, plant and equipment	20	231,635	119,059
Deposit for acquisition of long term investment	12	5,359	–
		412,071	228,443
Current assets			
Trade receivables	13	104,213	64,940
Other receivables, deposits and prepayments		17,416	9,825
Prepayment to a game developer		20,000	–
Advances to a supplier	14	–	72,643
Pledged bank deposit	15	97,696	–
Bank balances and cash		67,183	339,017
		306,508	486,425
Current liabilities			
Trade payables	16	16,233	36,424
Other payables and accruals		22,342	39,640
Tax payable		94,462	83,594
		133,037	159,658
Net current assets		173,471	326,767
Net assets		585,542	555,210
Capital and reserves			
Share capital	18	42,911	42,911
Reserves		546,992	515,347
Equity attributable to owners of the Company		589,903	558,258
Non-controlling interests		(4,361)	(3,048)
Total equity		585,542	555,210

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

	Attributable to owners of the Company					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	Total HK\$'000		
At 1 April 2014	1,000	–	(29)	83,775	84,746	–	84,746
Profit for the period	–	–	–	35,956	35,956	–	35,956
Exchange difference arising on translation of foreign subsidiary	–	–	(67)	–	(67)	–	(67)
Total comprehensive income for the period	–	–	(67)	35,956	35,889	–	35,889
Reorganisation	(900)	–	–	–	(900)	–	(900)
Issue of new shares	7	68,411	–	–	68,418	–	68,418
Dividend recognised as distribution (note 7)	–	–	–	(25,000)	(25,000)	–	(25,000)
At 30 September 2014 (unaudited)	107	68,411	(96)	94,731	163,153	–	163,153
At 1 April 2015	42,911	380,878	62	134,407	558,258	(3,048)	555,210
Profit for the period	–	–	–	32,124	32,124	(7,351)	24,773
Exchange difference arising on translation of foreign subsidiaries	–	–	(479)	–	(479)	24	(455)
Total comprehensive income for the period	–	–	(479)	32,124	31,645	(7,327)	24,318
Contribution from non-controlling interests of a subsidiary	–	–	–	–	–	6,014	6,014
At 30 September 2015 (unaudited)	42,911	380,878	(417)	166,531	589,903	(4,361)	585,542

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2015

		Six months ended 30 September	
	Note	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(1,137)	27,336
INVESTING ACTIVITIES			
Repayments from a supplier	22	12,500	–
Interest received		838	–
Deposits paid for and purchase of property, plant and equipment		(149,021)	(60,048)
Placement of pledged bank deposit		(100,064)	–
Purchase of intangible assets		(19,679)	(2,279)
Purchase of held-to-maturity investment		(15,471)	–
Deposit paid for acquisition of long term investment		(5,359)	–
Repayments from a director		–	5,550
Advances to a director		–	(16,500)
NET CASH USED IN INVESTING ACTIVITIES		(276,256)	(73,277)
FINANCING ACTIVITIES			
New bank loans raised		172,050	–
Contribution from a non-controlling shareholder		6,014	–
Repayment of bank loans		(172,050)	–
Proceeds from issue of shares		–	68,418
Advances from a director		–	12,203
Dividends paid		–	(25,000)
Repayments to a director		–	(1,527)
NET CASH FROM FINANCING ACTIVITIES		6,014	54,094
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(271,379)	8,153
CASH AND CASH EQUIVALENTS AT THE BEGINNING			
OF THE PERIOD		339,017	86,020
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES		(455)	(67)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD,			
REPRESENTED BY BANK BALANCES AND CASH		67,183	94,106

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

1. General

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 "**Reorganisation**") 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 condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the Group for the six months ended 30 September 2014 have been prepared on the basis as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the six-month period ended 30 September 2014, or since their respective dates of incorporation/establishment, where it is a shorter period.

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

2. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

3. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis.

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 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2015.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity other than:

- a) those that the entity upon initial recognition designates as at fair value through profit or loss;
- b) those that the entity designates as available for sale; and
- c) those that meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment.

4. 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 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) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

4. Revenue and Segment Information (Continued)

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 2015 (unaudited)

	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	252,771	–	3,945	1,905	258,621
Segment profit (loss)	75,018	(570)	(15,361)	(5,325)	53,762
Unallocated income					1,162
Unallocated expenses					(19,051)
Finance costs					(148)
Profit before taxation					35,725

For the period ended 30 September 2014 (unaudited)

	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	213,033	–	872	411	214,316
Segment profit (loss)	73,809	(1,300)	(1,427)	109	71,191
Unallocated income					203
Unallocated expenses					(12,130)
Listing expenses					(11,642)
Profit before taxation					47,622

Segment profit (loss) represents the profit (loss) earned (incurred) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

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 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Trading of animation derivative products	103,094	64,940
Licensing of animation characters	1,039	1,484
Establishment and operation of indoor theme park	329,216	184,213
Multimedia animation entertainment	55,622	2,942
Total segment assets	488,971	253,579
Property, plant and equipment	46,514	49,254
Held-to-maturity investment	14,909	–
Other receivables, deposits and prepayments	3,306	375
Advances to a supplier	–	72,643
Pledged bank deposit	97,696	–
Bank balances and cash	67,183	339,017
Consolidated assets	718,579	714,868

Segment liabilities

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Trading of animation derivative products	112,830	121,979
Establishment and operation of indoor theme park	12,241	4,334
Multimedia animation entertainment	243	–
Total segment liabilities	125,314	126,313
Other payables and accruals	7,723	33,345
Consolidated liabilities	133,037	159,658

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

5. Taxation

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Hong Kong Profits Tax	10,952	11,666

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. No provision for the PRC Enterprise Income Tax has been made for PRC subsidiaries as either the assessable profit is wholly absorbed by tax losses brought forward or no assessable profit is derived during both periods.

The Group had unused tax losses of approximately HK\$34,839,000 at 30 September 2015 (31 March 2015: HK\$19,899,000), 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.

The Group 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 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 30 September 2015 and 31 March 2015. However, based on the relevant facts and circumstances and taking into account the aforesaid 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 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 and six months ended 30 September 2015 would be HK\$84,366,000 and HK\$95,234,000, respectively. As of 30 September 2015, the Group has made accumulated provision of HK\$94,462,000 (31 March 2015: HK\$83,594,000) as tax payable in the consolidated financial statements. Having taken into account the aforesaid professional advice, the directors believe that the Group has made appropriate provision in respect of the possible tax liability.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

6. Profit for the Period

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Staff costs:		
Directors' emoluments	2,193	–
Other staff costs		
Salaries and other benefits	4,544	3,496
Retirement benefits scheme contributions	450	82
	7,187	3,578
Auditor's remuneration	809	949
Cost of inventories recognised as expenses	174,960	136,671
Depreciation of property, plant and equipment	4,656	3,846
Amortisation of intangible assets	684	684
Research and development costs recognised as an expense (included in cost of sales and services)	866	784
Interest income	(838)	–
Finance costs	148	–
Listing expenses	–	11,642
Operating lease rentals in respect of rented premises	11,478	831
Operating lease rentals in respect of rented vehicles	65	65
Net foreign exchange losses	2,368	140

7. 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:

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Controlling Shareholder	N/A	25,000

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 of the Company have determined that an interim dividend by way of 1 bonus ordinary share at par value of HK\$0.1 each for every 1 existing ordinary share held, will be issued to the shareholders of the Company whose names appear in the Register of Members on 24 December 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

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	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	32,124	35,956
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	429,108	305,059

The weighted average number of ordinary shares for the purpose of basic earnings per share for the period ended 30 September 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 2014.

No diluted earnings per share is presented for the period ended 30 September 2015 and 2014 as there is no potential ordinary share in issue during both periods.

9. Movements in Property, Plant and Equipment

During the current interim period, the Group paid approximately HK\$36,445,000 (30 September 2014: HK\$953,000) for the acquisition of property, plant and equipment to expand its operations which mainly included approximately HK\$35,087,000 (30 September 2014: HK\$ nil) in construction in progress.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

10. 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 2014	1,750	5,702	2,279	9,731
Addition	582	–	–	582
At 31 March 2015	2,332	5,702	2,279	10,313
Addition	19,679	–	–	19,679
At 30 September 2015	22,011	5,702	2,279	29,992
AMORTISATION				
At 1 April 2014	–	2,467	–	2,467
Charge for the year	–	1,142	228	1,370
At 31 March 2015	–	3,609	228	3,837
Charge for the period	–	570	114	684
At 30 September 2015	–	4,179	342	4,521
CARRYING VALUES				
At 30 September 2015 (unaudited)	22,011	1,523	1,937	25,471
At 31 March 2015 (audited)	2,332	2,093	2,051	6,476

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 to 5 years
Animation characters	5 years
Indoor theme right	10 years

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

11. Held-To-Maturity Investment

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (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	14,909	–

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

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Renminbi ("RMB")	14,909	–

12. Deposit for Acquisition of Long Term Investment

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

13. Trade Receivables

The Group allows a credit period ranging from 30 days to 60 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:

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
0 to 60 days	78,277	39,731
61 to 180 days	25,928	25,004
Over 180 days	8	205
	104,213	64,940

At 31 March 2015, included in the Group's trade receivables was trade balance with Harvest Progress International Limited, a shareholder of the Company, of HK\$25,000,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

14. Advances to a Supplier

The amount as at 31 March 2015 represented the accumulated balance of the advances to an independent supplier for the expansion of its production capacity in order to cope with orders from the Group pursuant to the agreement entered in March 2015. The advances were unsecured, non-interest bearing and repayable in October 2015. Pursuant to the agreement, the Group has the right to set off the debt against trade payable to the supplier in the case of default of the settlement in October 2015.

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

15. 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 2.06% (31 March 2015: nil) 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.

16. 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:

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
0 to 30 days	14,961	26,250
31 to 60 days	1,008	8,862
61 to 90 days	264	27
Over 90 days	–	1,285
	16,233	36,424

17. Secured Bank Borrowings

During the current interim period, the Group obtained new bank loans amounting to approximately HK\$172,050,000 (31 March 2015: HK\$ nil). The loans carried interest at variable market rates of London Interbank Offered Rate plus 2% per annum and are repayable over a period of one to three months. The average effective interest rate of the loans is approximately 2.22% (31 March 2015: nil) per annum. The proceeds were mainly used to finance the acquisition of property, plant and equipment. The bank loans were fully repaid in September 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

18. Share Capital

	Number of shares	Share capital HK\$'000
Authorised:		
At 1 April 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 and 30 September 2015 of HK\$0.1 each	1,000,000,000	100,000
<hr/>		
Issued and fully paid:		
At 1 April 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 and 30 September 2015 of HK\$0.1 each	429,108,000	42,911

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 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 Singapore dollars 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 United States dollars 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.

The new shares rank pari passu with the then existing shares in all respects.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

19. Capital Commitments

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

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (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	31,568	45,142
– investment in a subsidiary	55,430	–
	86,998	45,142
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for in the condensed consolidated financial statements	210,608	10,141

20. 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 ("Shanghai JOYPOLIS").

The total capital expenditure of the JOYPOLIS in Shanghai and an other city is expected to be approximately RMB175.9 million (equivalent to HK\$219.9 million) and RMB252.7 million (equivalent to HK\$308.5 million) as of 30 September 2015 (31 March 2015: approximately RMB175.9 million (equivalent to HK\$219.9 million) and nil) respectively.

As of 30 September 2015 and 31 March 2015, the Group has paid the following deposits for acquisition of property, plant and equipment and construction in progress as included in the condensed consolidated statement of financial position:

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
JOYPOLIS:		
Deposits for acquisition of property, plant and equipment	231,635	119,059
Construction in progress	82,079	45,543
	313,714	164,602

The respective capital commitment for the JOYPOLIS in Shanghai and an other city is disclosed as above in note 19.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

20. Other Commitment (Continued)

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 21. 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.

21. 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:

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Office premises		
Within one year	15,146	4,215
In the second to fifth years inclusive	73,957	71,649
Over five years	132,714	146,961
	221,817	222,825

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Motor vehicle		
Within one year	130	–
In the second to fifth years inclusive	119	–
	249	–

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 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Office premises		
Within one year	1,180	2,415
Motor vehicle		
Within one year	130	–
In the second to fifth years inclusive	119	–
	249	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

21. Operating Lease Commitment (Continued)

The Group as lessee (Continued)

Other than the other commitment mentioned in note 20, operating lease payments represent rentals payable by the Group for certain of its office premises and motor vehicles. Leases are negotiated for three 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.

22. Major Non-Cash Transaction

During the current interim period, advances to a supplier of approximately HK\$60,143,000 were settled by offsetting trade payables to the supplier pursuant to a supplementary agreement entered into in July 2015. Details of the transactions are set out in note 14.

23. Related Party Disclosures

(a) Transactions with related parties

During the current interim period, the Group entered into following transactions with related parties:

		Six months ended 30 September	
		2015	2014
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Shenzhen Huaxia Animation Technology Company Limited ("Shenzhen Huaxia") (Note)	Commission income	-	202
Controlling Shareholder	Rental expense for motor vehicle	65	65
	Rental expense for premises	475	483

Note: Mr. Li Jian, son of a shareholder of the Company, owned 49% equity interest of Shenzhen Huaxia prior to the disposal of this equity interest in February 2015.

(b) Included in other payables and accruals was rental payable of approximately HK\$1,770,000 (31 March 2015: HK\$604,000) to the Controlling Shareholder as at 30 September 2015.

(c) Details of the outstanding balances with other related parties are set out in note 13.

(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	
		2015	2014
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Salaries and other benefits		3,121	814
Retirement benefit schemes contributions		103	31
		3,224	845

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

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.

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 period ended 30 September 2015 and year ended 31 March 2015, no share options had been granted and the Company had no share options outstanding at 30 September 2015 and 31 March 2015.

MANAGEMENT DISCUSSION & ANALYSIS

The Group is engaged in multi-line businesses in the animation-related industry, with the primary focus on the trading of animation-derived products (mainly toys) featuring renowned third-party owned animation characters for the Japanese market with the provision of value-added services to its customers. The business objective of the Group is to build a multimedia animation business in China and in this connection, it has been actively expanding its business during the six-month period ended 30 September 2015, including the opening of the Phase I of the *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 the *Shanghai JOYPOLIS* with a gross floor area of about 1,000 sq.m. was opened on 1 January 2015 and the grand opening of the *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.

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. We expect the comprehensive testing of the equipment and arcade game machines at the *Shanghai JOYPOLIS* will be completed at the first quarter of 2016.

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*" (紫媽), "*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*" (紫媽), the first virtual artist which performed bi-dialectal music animation concert in China by applying three dimensional (3D) mixed reality (MR) technologies.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review (Continued)

Multimedia animation entertainment

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

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

Commercialisation of the proprietary animation characters

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

"Violet" (紫嫣) attended the *56th International Art Exhibition – La Biennale di Venezia* held at the Giardini, the Arsenale and various places within the City of Venice, Italy, in July 2015. In addition, the Group participated *Ani-Com & Games Hong Kong* in July 2015 and *Gamescom* in Cologne, Germany in August 2015 for the promotion of "Violet" (紫嫣) and the VR animation games and the animation characters of the Group. The Group will promote the products derived from "Violet" (紫嫣) outside the PRC through different media as well as virtual reality (VR) and MR technologies. The Group also continues to explore business opportunities relating to Internet business which may facilitate the development and commercialisation of its animation business and animation characters. In the PRC, the Group continues to contribute the PRC government to develop the cultural industry. The Group's efforts continue to enhance the popularity of "Violet" (紫嫣) and other proprietary animation characters to further penetrate the market. Leveraging its research and development team as well as implementing strategic cooperation, its product content and value will be enhanced 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.

MANAGEMENT DISCUSSION & ANALYSIS

Financial Review

The following sets forth a summary of the performance of the Group during the six-month period ended 30 September 2015 with comparative figures as follows:

	Period ended 30 September	
	2015	2014
Revenue (HK\$'000)	258,621	214,316
Gross profit (HK\$'000)	62,498	74,520
Gross profit margin (%)	24.2	34.8
Listing expenses (HK\$'000)	–	11,642
Other expense (HK\$'000)	–	753
Profit attributable to the owners of the Company (HK\$'000)	32,124	35,956

Revenue

The revenue increased by HK\$44.3 million, or 20.7%, from HK\$214.3 million for the period ended 30 September 2014 to HK\$258.6 million for period ended 30 September 2015. The increase was primarily due to a revenue increase of HK\$39.8 million in the trading of animation derivative products, a revenue increase of HK\$3.0 million from the establishment and operation of indoor theme park, as well as an increase of HK\$1.5 million from multimedia animation entertainment.

Trading of animation derivative products

The revenue from trading of animation derivative products increased by 18.7% from HK\$213.0 million for the period ended 30 September 2014 to HK\$252.8 million for the six-month period ended 30 September 2015 primarily due to an increase in sales volume, which primarily resulted from increased sales to two of the major customers.

Licensing of animation characters

Due to the restructuring of the Group's business model of the licensing business by licensing the animation characters to a number of licensees, no revenue was generated during the six-month period ended 30 September 2015 (2014: no licensee).

Establishment and operation of indoor theme park segment

The revenue from establishment and operation of indoor theme park increased by 333.3% from HK\$0.9 million for the period ended 30 September 2014 to HK\$3.9 million for the six-month period ended 30 September 2015, which mainly ticket sales from the Phase I of *Shanghai JOYPOLIS*.

MANAGEMENT DISCUSSION & ANALYSIS

Financial Review (Continued)

Multimedia animation entertainment

The revenue from multimedia animation entertainment increased by HK\$1.5 million, or 375.0% from HK\$0.4 million for the period ended 30 September 2014 to HK\$1.9 million for the six-month period ended 30 September 2015. The revenue from multimedia animation entertainment included HK\$0.9 million from ticket sales for VR Game Centre and HK\$1.0 million concert income in respect of our animation concert of "Violet" (紫嫣) performed on 30 September 2015 in Hong Kong.

Cost of sales and services

The cost of sales and services increased by HK\$56.3 million, or 40.3%, from HK\$139.8 million for the period ended 30 September 2014 to HK\$196.1 million for the six-month period ended 30 September 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*. Phase I *Shanghai JOYPOLIS* of 1,000 sq.m. was opened on 1 January 2015 but rental expenses for 8,239 sq.m. was already incurred while the grand opening is scheduled in the first quarter of 2016.

Gross profit and gross profit margin

The Group's gross profit decreased by HK\$12.0 million, or 16.1%, from HK\$74.5 million for the period ended 30 September 2014 to HK\$62.5 million for the six-month period ended 30 September 2015. The Group's gross profit margin decreased from 34.8% for the period ended 30 September 2014 to 24.2% for the six-month period ended 30 September 2015. The decrease 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 increase in cost of purchase of derivative products and Phase I *Shanghai JOYPOLIS* of 1,000 sq.m. was opened on 1 January 2015 but rental expenses for 8,239 sq.m. was recognised while the grand opening is scheduled in the first quarter of 2016. In addition, the cost incurred for the first concert of "Violet" (紫嫣) in Hong Kong.

Other income

Other income increased by HK\$1.0 million from HK\$0.2 million for the period ended 30 September 2014 to HK\$1.2 million for the six-month period ended 30 September 2015. The increase in other income was primarily due to the interest income from pledged bank deposit and held to maturity investment (2014: Nil).

Selling and distribution expenses

The selling and distribution expenses increased by HK\$4.7 million, or 276.5%, from HK\$1.7 million for the period ended 30 September 2014 to HK\$6.4 million for the six-month period ended 30 September 2015. The Group's selling and distribution expenses as a percentage of revenue increased from 0.8% for the six-month period ended 30 September 2014 to 2.5% for the six-month period ended 30 September 2015. The increase in selling and distribution expenses was primarily due to the advertising and promotion for the first concert of "Violet" (紫嫣) in Hong Kong, International Cultural Industry Fairs (文博會), and Ani-Com & Games Hong Kong (香港動漫節).

Financial Review (Continued)

Profit attributable to the owners of the Company

The profit attributable to the owners of the Company decreased by HK\$3.9 million, or 10.8%, from HK\$36.0 million for the period ended 30 September 2014 to HK\$32.1 million for the six-month period ended 30 September 2015. The decrease was primarily due to that Phase I of the *Shanghai JOYPOLIS* of 1,000 sq.m. was opened on 1 January 2015 but rental expenses for 8,239 sq.m. was already incurred while the grant opening is scheduled in the first quarter of 2016 and the exchange loss arising from the assets denominated in Renminbi of held to maturity investment and pledged bank deposits due to the depreciation of the currency.

With the business plans and business initiatives undertaken by the Group, 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

As “*Violet*” (紫嫣) gets a lot of fans, and become more famous both in China and Hong Kong, thus the movie of *Galaxy Girl* (銀河少女) starring “*Violet*” (紫嫣) is under production and is expected to be completed in 2017, “*Violet*” (紫嫣), the Group’s virtual artist, will be the movie’s leading actress. In addition, a total of 20 episodes of the *Galaxy Girl* (銀河少女) animation television programmes are in the planning stage. The television programmes are expected to be completed in 2017 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* (藏羚羊王) which is to be launched and released in China in November 2015; *Project Egg* (蛋計劃) and *Where Are You Going, Baby?* (寶貝去哪兒), which are to be launched and released in China in the third quarter of 2016 and the fourth quarter of 2017 respectively. These plans were finalised in April and May 2015. The Directors believe that the successful listing on the Stock Exchange enables the Group to explore all these opportunities, and the Group is expected to enjoy benefits from the booming development of the film and the animation industries in China.

Online entertainment and mobile applications

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

MANAGEMENT DISCUSSION & ANALYSIS

Business Prospects (Continued)

Promotion of VR technology

The Group uses VR technology to create an animation game environment, thereby generating potential opportunities and strong development momentum. Over the past six months, there are 600 game centers acquired VR equipment, the Group also plans to co-operate to run the VR gaming experience centre with third parties, As part of its efforts, the Group has opened a VR gaming experience centre in Shanghai and Shenzhen Central Book City (深圳中心書城) during the period, which provides VR games and wearable devices themed with its proprietary animation characters. These centres are adjacent to *Shanghai JOYPOLIS* and located in Shenzhen Futain respectively. The visitors can wear VR glasses and they can experience a 360-degree VR experience to access the virtual three-dimensional environment and enjoy a multi-sensory interaction. In addition, users can purchase VR wearable devices, upload and download the game applications through the Group's exclusive websites, enabling them to enjoy a new VR interactive experience at any time.

Indoor theme park

The grand opening of the *Shanghai JOYPOLIS* is scheduled in the first quarter of 2016. The Group has obtained the approval from SEGA for the development of another *JOYPOLIS* in China.

Commercialisation of animation characters

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

The Group will continue to promote "*Violet*" (紫嫣) and the Group's virtual reality animation games and other cartoon characters of the Group. For example, we will have much more production of film and animation. The Group will promote the products derived from "*Violet*" (紫嫣) outside the PRC through different media and music as well as 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.

MANAGEMENT DISCUSSION & ANALYSIS

Use of Net Proceeds from the Global Offering

On 12 March 2015, the Company has received net proceeds of HK\$298.6 million after deducting the underwriting fee and commissions and relevant expenses in connection with the Listing. As of 30 September 2015, a total amount of HK\$173.2 million out of the net proceeds had been used by the Group. The unutilised net proceeds from the Global Offering have been deposited with a licensed bank in Hong Kong. The following sets forth a summary of the utilisation of the net proceeds:

	Original planned allocation of net proceeds from the Global Offering		Actual utilised as of 30 September 2015	Unutilised as of 30 September 2015
	%	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	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	30.0	96.4	5.4	91
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	7.2	57
For working capital and general corporate purposes	10.0	32.1	32.1	–
Total	100.0	321.2	173.2	148

Advance to an Entity and Full Repayment of the Advance Amount

The Directors refer to the announcement of the Company dated 29 June 2015 on advances to an entity which constitute a disclosable transaction for the Company. The amount as at 31 March 2015 represented the accumulated balance of the advances to an independent supplier for the expansion of its production capacity in order to cope with orders from the Group pursuant to the agreement entered in March 2015. The advances were unsecured, non-interest bearing and repayable in October 2015.

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

MANAGEMENT DISCUSSION & ANALYSIS

Liquidity and Financial Resources

As of 30 September 2015, the cash and bank balances of the Group were HK\$164.9 million (31 March 2015: HK\$339.0 million) including pledged bank deposits of approximately HK\$97.7 million (31 March 2015: Nil). Essentially the Group's working capital requirement is financed by its internal resources. The Group believes that funds generated from operations and the available banking facilities will enable the Group to meet its future working capital requirements.

During the six-month period ended 30 September 2015, the Group had a cash flow for favorable investment to enhance its business development. Therefore, the liquidity compared with the period ended 30 September 2014 was reduced during the six-month period ended 30 September 2015.

Treasury Policies

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the six-month period ended 30 September 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 JOYPOLIS in Shanghai and another city is expected to be approximately RMB175.9 million (equivalent to HK\$219.9 million) and RMB252.7 million (equivalent to HK\$308.5 million) as of 30 September 2015 (31 March 2015: approximately RMB175.9 million (equivalent to HK\$219.9 million) and nil) respectively.

As of 30 September 2015 and 31 March 2015, the Group has paid the following deposits for acquisition of property, plant and equipment and construction in progress as included in the condensed consolidated statement of financial position:

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
JOYPOLIS:		
Deposits for acquisition of property, plant and equipment	231,635	119,059
Construction in progress	82,079	45,543
	313,714	164,602

Capital Commitments

As of 30 September 2015, capital commitments of the Group amounted to HK\$297.6 million (31 March 2015: HK\$55.3 million).

Gearing Ratio

Gearing ratio is not included in the analysis because the Group did not have any borrowing as of 30 September 2015.

Significant Investments Held

As at 30 September 2015, the Group had HK14.9 million of listed bond security which is listed on the Singapore Exchange Limited with a fixed coupon interest at 6.25% per annum and maturity date on 22 May 2017.

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

Future Plans for Material Investments And Capital Assets

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

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

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the six-month period ended 30 September 2015, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies, save as disclosed in the Prospectus.

Mortgages and Pledges

As of 30 September 2015, a bank deposit of the Group with a carrying value of approximately HK\$97.7 million (31 March 2015: Nil) was pledged to a bank for banking facilities obtained.

Contingent Liabilities

The Group did not have significant contingent liabilities as of 30 September 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 30 September 2015, the Group had 81 employees (2014: 43 employees). For the six-month period ended 30 September 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 HK\$7,187,000 (2014: HK\$3,578,000). The increase was mainly attributable to the increment of HK\$1,048,000 in employee remuneration and the increment of HK\$2,193,000 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.

Share Option Scheme

A share option scheme (the "**Scheme**") has been adopted on 16 February 2015 to provide incentives and remuneration to eligible Directors and employees of the Group in recognition of their contributions. As of 30 September 2015, no option has been granted. Unless otherwise cancelled or amended, the Scheme will remain in force for 10 years from the adoption date of the Scheme.

OTHER INFORMATION

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

As of 30 September 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 30 September 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 30 September 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
	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

OTHER INFORMATION

Substantial Shareholders (Continued)

Name of Shareholders	Capacity	Number of Shares	Shareholding percentage of shares in issue (%)
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

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 and beneficial owner of 14,829,000 Shares.

Save as disclosed above, as of 30 September 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.

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 Board consists of three independent non-executive Directors, namely Mr. TSANG Wah Kwong (Chairman), Mr. HUNG Muk Ming and Mr. NI Zhenliang. The Company's interim results for the six months ended 30 September 2015 have been reviewed by the audit committee. The audit committee of the Board 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 Listing Rules of Stock Exchange throughout the period, except for the following deviations:

Code Provision A.2.1

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

Compliance with Model Code 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 2015.



OTHER INFORMATION

Interim Dividend

In view of the continuous business growth of the Group, the Board intends to maintain sufficient cash for its future business development, including the capital expenditure leading to the grand opening of the *Shanghai JOYPOLIS* and the second *JOYPOLIS* in the PRC. Nevertheless, the Board proposed an interim dividend to be payable by way of a bonus issue (the “**Bonus Issue**”) in recognition of the continual support of the shareholders of the Company. With the approval of the Company’s shareholders at the extraordinary general meeting of the Company held on 16 December 2015, the Bonus Issue will be made on the basis of one bonus share (the “**Bonus Share**”) for every existing share held by the shareholders whose names appeared on the register of members of the Company on 24 December 2015, being the record date for determination of entitlements to the Bonus Shares. Please refer to the Company’s circular dated 1 December 2015 and the Company’s announcement dated 16 December 2015 for details of the Bonus Issue.

By order of the Board

Zhuang Xiangsong

Chairman

Hong Kong, 20 November 2015