

**CHINA ANIMATION CHARACTERS COMPANY LTD:
TAKING AIM AT THE ADULT CHILDREN OF JAPAN**

Once again, a company that issued a Global Offering of Shares on the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), has stated, on Pages Nine and 10 of its Prospectus, that prospective shareholders should take note that *'our net profit for the year ending 31 March 2015 could be significantly lower than the net profit for the year ended 31 March 2014.'*

The company that made this announcement in its Prospectus is China Animation Characters Company Ltd (), Code: 1566, Main Board, The Stock Exchange of Hongkong Ltd).

The reasons that have been given in respect of its profit statement with regard to a materially lower Bottom Line for the Current Financial Year are:

1. The absence of the one-off, deferred licensing income of \$HK41.70 million from Zing Company Ltd (), which was recognised as revenue in respect of the Financial Year, ended March 31, 2014; and,
2. The recognition of the estimated listing expenses of \$HK38.60 million (assuming that the Offer Price is determined at \$HK3.65, being the lowest end of the indicative range of the Offer Price, and the Over-allotment Option is not exercised) for the Year, ending March 31, 2015.

With regard to Item Number One, Page 30 of the Global Offering Prospectus states that Zing Company Ltd is *'a company incorporated in Japan on 12 January 2010, the licensee under the Trademark Licence Agreement (which has been terminated from 31 March 2014) and an Independent Third Party as of the Latest Practicable Date (February 18, 2015).'*

The Initial Public Offering (IPO)

The Global Offering Prospectus, dated February 28, 2015, Offered 107.28 million, 10-cent Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK3.65 to a high of \$HK4.56.

HKSAR Investors were Offered 10,728,000 Shares and International Investors were Offered 96,552,000 Shares.

Last Wednesday, Management of China Animation announced that the Offer Price Per Share had been struck at \$HK3.65, being the lowest price that the Company was willing to accept.

The net proceeds of this cash-raising exercise, amounting to about \$HK319.80 million, net of expenses, would be allocated to the following purposes:

- a. *'As to 40% of the net proceeds, or HK\$127.9 million, for the Group's contribution (in the percentage of 51%, the other 49% is to be contributed by Pingan Taisheng [Shenzhen Pingan Taisheng Company Ltd ()]) for the capital expenditure (in the amount of HK\$54.5 million) and the working capital for Shanghai Joypolis and for*

utilisation for use in planning the next Joypolis, subject to the approval by SEGA (SEGA Corporation []) (in the amount of HK\$73.4 million). As of the date hereof, the Group has not entered into any licensing agreements with SEGA for the operation of further Joypolis project in addition to Shanghai Joypolis in the PRC;

- b. *‘As to 30% of the net proceeds, or HK\$95.9 million, for possible investment in, acquisition of, and/or formation of strategic cooperations 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. As of the date hereof, the Group has not identified any such targets to be invested or acquired or to form strategic cooperations with nor has the Group commenced any due diligence process in relation to the same, but the Group intends to explore investment, acquisition or cooperation targets that can enhance, extend and cross sell our existing businesses or that have the potentials to enable the Group to further penetrate into and increase the Group’s share in the markets in which the Group operates. The Group intends to identify potential targets through market research and/or referral by the Group’s business partners. Upon identification of the target, the Group will take into account, among other things, whether the business of the target is established, profitable, sustainable, complementary to the Group’s business and/or in line with the Group’s business strategies from time to time and the applicable legal and regulatory requirements in determining whether to proceed with the proposal. Currently, the Group does not set any thresholds or limits for potential targets in the event that financing is required, the Group may raise fund by equity financing or external borrowing as and when appropriate. The investment committee of the Board and/or the Board will review and approve any such proposal which, if approved, will take place in compliance with relevant rules and regulations including the Listing Rules;*
- c. *‘As to 20% of the net proceeds, or HK\$64.0 million, for the development, production and technical enhancement of the Group’s music animation concerts and the related promotional and marketing activities and the development of the Group’s consignment sales business; and,*
- d. *‘As to the remaining balance of 10% of the net proceeds, or HK\$32.0 million, for the Group’s working capital and general corporate purposes.’*

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