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China Partytime Culture Holdings Limited
中國派對文化控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1532)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board of directors (the "**Board**") of China Partytime Culture Holdings Limited 中國派對文化控股有限公司 (the "**Company**") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Revenue	*5*	**365,903**	466,371
Costs of sales		**(289,192)**	(356,862)
Gross profit		**76,711**	109,509
Other income	*6*	**9,160**	1,667
Selling expenses		**(10,291)**	(18,944)
Impairment loss on property, plant and equipment		**(24,410)**	–
Administrative and other operating expenses		**(61,216)**	(68,532)
(Loss)/Profit from operations		**(10,046)**	23,700
Finance costs	*7*	**(5,229)**	(4,107)
(Loss)/Profit before income tax	*8*	**(15,275)**	19,593
Income tax credit/(expense)	*9*	**3,540**	(5,605)
(Loss)/Profit for the year		**(11,735)**	13,988

	Notes	**2018**	2017
		RMB'000	*RMB'000*
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operation recognised		**4,202**	1,312
Other comprehensive income for the year, net of nil tax		**4,202**	1,312
Total comprehensive (expenses)/income for the year		**(7,533)**	15,300
(Loss)/Earnings per share for (loss)/profit attributable to equity holders of the Company	*10*	***RMB (cents)***	*RMB (cents)*
Basic		**(1.35)**	1.85
Diluted		**(1.35)**	1.85

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2018** *RMB'000*	2017 *RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Trademark		**156**	250
Prepaid land lease payments		**12,097**	12,390
Property, plant and equipment		**381,223**	386,230
Interest in a joint venture		**2**	2
Financial assets at fair value through profit or loss	*12*	**62,263**	–
Deferred tax assets		**6,103**	–
		461,844	398,872
Current assets			
Inventories		**21,944**	24,750
Trade and other receivables	*13*	**27,630**	43,629
Prepaid land lease payments		**293**	293
Tax recoverable		**3,251**	4,862
Bank balances and cash		**75,417**	69,206
		128,535	142,740
Current liabilities			
Trade and other payables	*14*	**28,070**	30,895
Contract liabilities	*15*	**430**	–
Short term borrowings		**69,370**	53,000
Convertible bonds	*16*	**–**	16,412
		97,870	100,307
Net current assets		**30,665**	42,433
Net assets		**492,509**	441,305
CAPITAL AND RESERVES			
Share capital		**7,352**	6,209
Reserves		**485,157**	435,096
Total equity		**492,509**	441,305

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

The Company was incorporated in the Cayman Islands as an exempted company on 12 February 2015 with limited liability. The Company's shares are listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 October 2015. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is No. 3 Chunchao Road, Yichun Economic & Technological Development Zone ("**Yichun Development Zone**"), Jiangxi Province, the People's Republic of China ("**PRC**").

The Company is an investment holding company and its subsidiaries are principally engaged in the design, development, production, sales and marketing of cosplay products (including cosplay costumes and cosplay wigs) and sexy lingerie.

As at 31 December 2018, the Directors consider the ultimate controlling shareholder of the Company to be Mr. Chen Sheng Bi, through his wholly-owned company, Master Professional Holdings Limited, which was incorporated in the British Virgin Islands.

2. Basis of preparation

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

The consolidated financial statements have been prepared on the historical cost except for financial assets at fair value through profit or loss ("**FVTPL**") which are stated at fair values.

3. Adoption of new and amended HKFRSs

New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2018

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's consolidated financial statements and effective for the annual period beginning on 1 January 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments

Other than as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

HKFRS 15 has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits at 1 January 2018. There was no impact of transition to HKFRS 15 on retained profits at 1 January 2018. The Group's contract liabilities included in deposits from customers at 31 December 2017 was reclassified to contract liabilities recognised in the consolidated statement of financial position at the date of the initial application (1 January 2018).

HKFRS 9 "Financial Instruments"

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 "Financial Instruments" from 1 January 2018 resulted in changes in accounting policies. There was no impact of transition to HKFRS 9 on retained profits at 1 January 2018.

The adoption has not had a significant effect on the Group's accounting policies related to financial liabilities. The impact of HKFRS 9 on the measurement of financial assets are set out below.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("**ECL**") rather than incurred credit losses as is the case under HKAS 39. The Group's trade and other receivables which are measured at amortised cost are subject to HKFRS 9's new ECL model.

Under HKFRS 9, the Group was required to revise its impairment methodology for each of these classes of assets. The Group applies the HKFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables. Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

The Group established ECL model based on historical settlement records, past experience and available forward-looking information. The Group has concluded that the impact of ECL on financial assets is insignificant as at 1 January 2018.

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 3	Definition of a Business[5]
Amendments to HKFRS 9	Repayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective date to be determined.
5 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments clarify the definition of material and state that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". Materiality depends on nature or magnitude of information or both.

The amendments also:

– introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;

– clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold "could influence" with "could reasonably be expected to influence" in the definition of material; and

– clarify that materiality assessment will need to take into account of information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

Amendments to HKAS 1 and HKAS 8 are effective for annual reporting period beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The Directors expect that the amendments have no material impact on these consolidated financial statements.

HKFRS 16 "Leases"

HKFRS 16 "Leases" will replace HKAS 17 and three related Interpretations.

Currently the Group classifies leases into operating leases and accounts for the lease arrangements. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases of land and buildings and other assets which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transitional options and practical expedients, the Group will apply the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The new definition of a lease in HKFRS 16 only apply to contracts that are entered into on or after the date of initial application. The Group elects to adopt HKFRS 16 retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, comparative information for any changes in accounting resulting from the reassessment are not restated.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB184,000 (2017: RMB408,000). A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, while all these leases were with lease term ends within 12 months from the date of initial application of HKFRS 16. The Group will apply the practical expedient and account for these leases in the same way as short-term leases and hence will not recognise a right-of-use asset and a corresponding liability upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosures as indicated above.

4. Segment information

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the most senior executive management for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the most senior executive management are determined following the Group's major product lines.

The Group has identified the following reportable segments:

(a) Wigs; and

(b) Clothing and others (including cosplay costumes, sexy lingerie and others)

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

Segment results represented operating results of each reportable segment without allocation of finance costs, interest income, unallocated other operating income, unallocated corporate expenses, and income tax credit/(expense). All assets are allocated to reportable segments other than bank balances and cash, financial assets at FVTPL and other corporate assets which are not directly attributable to the business activities of any reportable segments. All liabilities are allocated to reportable segments other than corporate liabilities which are not directly attributable to the business activities of any reportable segments.

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

	Year ended 31 December 2018		
	Wigs	**Clothing and others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Revenue from external customers	**145,223**	**220,680**	**365,903**
Segment results	**22,615**	**19,395**	**42,010**
Finance costs			**(5,229)**
Bank interest income			**267**
Loss on disposal of property, plant and equipment			**(750)**
Unallocated income			**8,893**
Unallocated expenses			**(60,466)**
Loss before income tax			**(15,275)**
Income tax credit			**3,540**
Loss for the year			**(11,735)**
Other segment items			
Depreciation and amortisation	**7,159**	**13,980**	**21,139**
Impairment loss on property, plant and equipment	**–**	**24,410**	**24,410**
Capital expenditure	**16,624**	**24,339**	**40,963**

	Year ended 31 December 2017		
	Wigs	Clothing and others	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue from external customers	200,656	265,715	466,371
Segment results	34,899	55,666	90,565
Finance costs			(4,107)
Bank interest income			211
Loss on disposal of property, plant and equipment			(167)
Unallocated income			1,456
Unallocated expenses			(68,365)
Profit before income tax			19,593
Income tax expense			(5,605)
Profit for the year			13,988
Other segment items			
Depreciation and amortisation	3,552	14,858	18,410
Capital expenditure	1,139	50,237	51,376

	As at 31 December 2018			
	Wigs	**Clothing and others**	**Unallocated**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Reportable segment assets	**157,721**	**278,536**	**154,122**	**590,379**
Reportable segment liabilities	**9,398**	**11,074**	**77,398**	**97,870**

	As at 31 December 2017			
	Wigs	Clothing and others	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment assets	100,693	358,817	82,102	541,612
Reportable segment liabilities	11,587	11,334	77,386	100,307

Geographical information

Information about the Group's revenue by geographical locations presented based on the area or country in which the external customer is operated.

	2018	2017
	RMB'000	*RMB'000*
PRC (place of domicile)	**14,985**	9,519
United States ("**US**")	**146,082**	174,448
Germany	**16,233**	33,585
United Kingdom ("**UK**")	**12,315**	30,625
Australia	**40,783**	61,732
Holland	**7,839**	7,238
Japan	**34,253**	39,280
Brazil	**10,738**	16,958
Israel	**26,414**	32,779
Other	**56,261**	60,207
	350,918	456,852
	365,903	466,371

The Group's non-current assets are substantially located in the PRC.

Information about major customers

During the year ended 31 December 2018, RMB36,638,000 or 10% of the Group's revenue was derived from a single customer of the Group. No customer contributes over 10% of the revenue of the Group during the year ended 31 December 2017.

5. Revenue

The Group's principal activities are disclosed in note 1 to this Announcement. Revenue of the Group is the revenue from these activities and represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

The Group's revenue recognised during the year is as follows:

	2018	2017
	RMB'000	*RMB'000*
Wigs	**145,223**	200,656
Clothing and others	**220,680**	265,715
	365,903	466,371

For the year ended 31 December 2018

Disaggregation of revenue from contracts with customers

The Group's revenue from sales of wigs, clothing and others are recognised at a point in time. The Group's contracts with customers usually have original expected duration of one year or less. Revenue from major product line are as follow:

	2018	2017
	RMB'000	*RMB'000*
Contract Manufacturing Services ("CMS") business		
Cosplay costumes	**112,772**	106,251
Cosplay wigs	**98,557**	143,266
Sexy lingerie	**40,550**	68,511
Others	**81**	7,689
	251,960	325,717
Original Brand Manufacturing ("OBM") business		
Cosplay costumes	**47,314**	50,299
Cosplay wigs	**46,666**	57,390
Sexy lingerie	**19,963**	31,549
Others	**–**	1,416
	113,943	140,654
	365,903	466,371

6. Other income

	2018	2017
	RMB'000	*RMB'000*
Exchange gain, net	**1,997**	–
Interest income	**267**	211
Interest income on financial assets at FVTPL	**3,020**	–
Government grant *(note)*	**2,352**	716
Rental income	**1,426**	577
Others	**98**	163
	9,160	1,667

Note: The Group was entitled to receive subsidies from local government authorities for (1) export sales business conducted in the Yichun Development Zone and in Yiwu; (2) business development of a medium-size company in the Yichun Development Zone and (3) setting up of qualified famous brands in Yiwu.

7. Finance costs

	2018	2017
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**4,668**	3,113
Interest on convertible bonds	**561**	1,536
Total borrowing cost	**5,229**	4,649
Less: amounts capitalised into construction in progress	**–**	(542)
	5,229	4,107

* No borrowing cost has been capitalised during the year (2017: capitalised at a weighted average rate of 4.79% per annum).

8. (Loss)/Profit before income tax

(Loss)/Profit before income tax is arrived at after charging/(crediting):

	2018	2017
	RMB'000	*RMB'000*
Auditors' remuneration	**1,088**	1,046
Cost of inventories recognised as an expense	**213,910**	268,303
Depreciation	**20,752**	18,023
Amortisation of prepaid land lease payments	**293**	293
Amortisation of trademark	**94**	94
Loss on disposal of property, plant and equipment	**750**	167
Impairment loss on property, plant and equipment	**24,410**	–
Operating lease charges in respect of land and buildings	**247**	350
Fair value loss on financial assets at FVTPL	**2,281**	–
Exchange (gain)/loss, net	**(1,997)**	3,424
Research and development cost	**22,354**	28,076
Government grant	**(2,352)**	(716)
Staff costs		
Salaries, allowances and other benefits	**80,302**	100,098
Contributions to defined contribution retirement plans	**10,779**	14,208
	91,081	114,306

9. Income tax (credit)/expense

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year ended 31 December 2018 (2017: nil).

The provision for PRC enterprise income tax has been provided at the applicable tax rate of 25% (2017: 25%) on the assessable profits of the PRC subsidiaries.

	2018	2017
	RMB'000	*RMB'000*
Current tax		
Current year – PRC enterprise income tax	**2,563**	5,605
Deferred tax	**(6,103)**	–
Income tax (credit)/expense	**(3,540)**	5,605

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. Partytime Costume & Lingerie (Yiwu) Factory and Yiwu Styler Cultural & Creative Co., Ltd. were accredited as "High and New Technology Enterprise" in the PRC with effect from 13 November 2017, and subject to a concessionary tax rate of 15% for three years in accordance with the EIT Law.

10. (Loss)/Earnings per share

The calculation of basic (loss)/earnings per share is based on the loss for the year attributable to equity holders of the Company of RMB11,735,000 (2017: profit for the year attributable to equity holders of the Company of RMB13,988,000) and the weighted average 869,813,000 ordinary shares in issue during the year ended 31 December 2018 (2017: 756,234,000 ordinary shares).

For the year ended 31 December 2018 and 2017, the computation of diluted (loss)/earnings per share has not assumed the conversation of the Company's outstanding convertible bonds as disclosed in note 16 to this Announcement since the conversation would result in an decrease in loss per share (2017: increase in earnings per share).

11. Dividends

No dividend was paid or proposed during 2018 nor has been any dividend proposed since the end of reporting period (2017: nil).

12. Financial Asset at Fair Value Through Profit or Loss

	2018	2017
	RMB'000	*RMB'000*
Unlisted convertible bond	**62,263**	–

On 23 February 2018, Unlock Bound Investments Limited ("**Unlock Bound**"), a wholly-owned subsidiary of the Group, subscribed for a convertible bond with a principal of HK$70,000,000 (equivalent to RMB56,693,000) ("**CSG Convertible Bond**") with annual coupon of 6%, issued by Charm Success Global Investment Limited ("**CSG**"), an independent third party. CSG is an unlisted company incorporated in the British Virgin Islands with limited liability. The CSG Convertible Bond will mature on 23 February 2022.

The CSG Convertible Bond will, at the discretion of Unlock Bound, be convertible at any time between the date of issue of the CSG Convertible Bond and on the second business day immediately preceding its maturity date on 23 February 2022 into fully paid ordinary shares of CSG. The total percentage of ordinary share hold by Unlock Bound upon full conversion of the CSG convertible bonds in the enlarged share capital of CSG will be equal to the aggregate principal amount of the CSG Convertible Bond divided by the value of CSG and its subsidiaries to be agreed by the Unlock Bound and CSG. If the bonds have not been converted, they will be redeemed on maturity date at 110% of the outstanding principal amount of the CSG Convertible Bond plus accrued interest.

The movement of the CSG Convertible Bond during the year is set out below:

	2018 ***RMB'000***
Fair value at 23 February 2018	56,693
Accrued interest income	3,020
Fair value loss	(2,281)
Exchange adjustments	4,831
Fair value at 31 December 2018	62,263

The fair value loss on the CSG Convertible Bond is included in "administrative and other operating expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

13. Trade and other receivables

	2018	2017
	RMB'000	*RMB'000*
Trade receivables		
– from third parties	**16,359**	27,757
Deposits, prepayments and other receivables		
Prepayments	**6,144**	1,541
Prepayment for property, plant and equipment	**–**	8,050
Other tax receivables	**4,010**	5,063
Deposits	**379**	221
Other receivables	**738**	997
	11,271	15,872
	27,630	43,629

The Directors consider that the fair values of trade and other receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception. The Group usually requires advance deposits from its customers. Before accepting any new customer, the Group will apply an internal credit assessment policy to assess the potential customer's credit quality. The credit period is generally for a period of 30 days. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables, based on the invoice date and net of impairment, is as follows:

	2018	2017
	RMB'000	*RMB'000*
0–30 days	**12,089**	23,569
31–60 days	**3,096**	2,301
61–90 days	**1,043**	1,887
91–365 days	**131**	–
	16,359	27,757

As at 31 December 2018, no trade receivables were individually determined to be impaired (2017: nil).

From 1 January 2018

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities. The Group does not hold any collateral or other credit enhancements over these balances.

Before 1 January 2018

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

14. Trade and other payables

	2018	2017
	RMB'000	*RMB'000*
Trade payables		
– to third parties	**15,682**	17,100
Accrued charges and other payables		
– Deposits from customers	**–**	322
– Salaries payable	**4,360**	5,498
– Other tax payables	**799**	1,252
– Other payables	**7,229**	6,723
	12,388	13,795
	28,070	30,895

The Group was granted by its suppliers credit periods ranging from 15 to 60 days. An aged analysis of the trade payables, based on the invoice date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
0–30 days	**15,682**	17,100

All amounts are short term and hence the carrying values of trade and other payables are considered to be a reasonable approximation of their fair value.

15. Contract Liabilities

	2018	2017
	RMB'000	*RMB'000*
Contract liabilities arising from receiving deposits of manufacturing orders	**430**	–

The Group has initially applied HKFRS 15 using the cumulative effect transition method and adjusted the opening balances as at 1 January 2018. Upon the adoption of HKFRS 15, amounts previously included as "deposits from customers" under "trade and other payables" were reclassified to contract liabilities.

When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of a contract until the revenue recognised on the project exceeds the amount of the deposit.

All the outstanding contract liabilities at beginning of the year have been recognised as revenue during the year. At 31 December 2018, all unsatisfied performance obligations have a duration of one year or less.

16. Convertible bonds

On 18 May 2016, the Company issued convertible bonds due 17 May 2018 ("**Maturity Date**"), in the aggregate principal amount of HK$20,000,000 (equivalent to RMB17,130,000) with annual coupon rate of 4%. Each bond will, at the discretion of the holder, be convertible at any time between the date of issue of the bonds and their Maturity Date into fully paid ordinary shares of the Company with a par value of HK$1.00 each at an initial conversion price of HK$0.529 per share. If the bonds have not been converted, they will be redeemed on Maturity Date at par plus accrued interest. The initial fair values of the liability component and the equity conversion component, based on net proceeds, were determined at issuance of the bonds. On initial recognition, the fair value of the liability component, included in the convertible bonds, was calculated using a market interest rate of 9.38% for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in equity in convertible bond reserves.

The movement of the convertible bonds during the year are set out below:

	2018	2017
	RMB'000	*RMB'000*
Liability component		
Carrying amount at the beginning of the year	**16,412**	17,107
Effective interest charges	**561**	1,536
Interests paid	**(239)**	(1,041)
Exchange adjustments	**(510)**	(1,190)
Redemption of convertible bonds	**(16,224)**	–
Carry amount carried forward	**–**	16,412

No accrued interests of convertible bonds has been included in other payables at 31 December 2018 and 2017.

The convertible bonds matured on 18 May 2018 and all the convertible bonds were redeemed by the Group on the same day.

The principal amount outstanding at 31 December 2017 was RMB16,667,000.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the design, development, production, selling and marketing of cosplay products (including cosplay costumes and cosplay wigs) and non-cosplay apparels which include mainly sexy lingerie. Our products are principally for export sales to more than 30 countries and regions around the globe including mainly the US, Germany, the UK and Australia.

Our business can be classified into two major categories, namely CMS business and OBM business.

	2018		2017		Increase/ (decrease) of revenue
	Revenue	**% of total**	Revenue	% of total	(approximate
	RMB'000		*RMB'000*		%)
CMS business	**251,960**	**68.9%**	325,717	69.8%	(22.6%)
OBM business	**113,943**	**31.1%**	140,654	30.2%	(19.0%)
Total	**365,903**	**100.0%**	466,371	100.0%	(21.5%)

Revenue by operating and reportable segments

	2018		2017		Increase/ (decrease) of revenue
	Revenue	**% of total**	Revenue	% of total	(approximate
	RMB'000		*RMB'000*		%)
Wigs	**145,223**	**39.7%**	200,656	43.0%	(27.6%)
Clothing and others	**220,680**	**60.3%**	265,715	57.0%	(16.9%)
Total	**365,903**	**100.0%**	466,371	100.0%	(21.5%)

There has been a sharp shift in sentiment in the second half of 2018. Market confidence was severely negatively impacted after the escalation of the China-U.S. trade dispute and uncertainty of macroeconomic outlook. Even our customers are diversified over 30 countries over the world, we still suffered a decrease in the overall revenue from approximately RMB466.3 million to approximately RMB365.9 million.

Loss/Profit for the year attributable to the equity holders of the Company decreased from profit for the year of approximately RMB14.0 million to loss for the year of approximately RMB11.7 million. Such decrease is primarily attributable to a decrease in orders placed by oversea customers who become cautious after the escalation of the China-US trade dispute. Consequently, there is a decrease in turnover of approximately of 22% and a consequential decrease in the gross profit of the Group as compared to those for the year ended 31 December 2017 and also impairment loss of approximately RMB24.4million recognised on property, plant and equipment for the year.

FINANCIAL REVIEW

Revenue and Gross Profit

	2018		2017		
	Revenue	**Gross Profit margin**	Revenue	Gross Profit margin	Revenue % change
	RMB'000		*RMB'000*		
CMS business					
Cosplay costumes	**112,772**	**21.4%**	106,251	22.9%	6.1%
Cosplay wigs	**98,557**	**19.5%**	143,266	22.1%	(31.2%)
Sexy lingerie	**40,550**	**24.4%**	68,511	26.6%	(40.8%)
Others	**81**	**6.2%**	7,689	25.7%	(98.9%)
	251,960	**21.2%**	325,717	23.4%	(22.6%)
OBM business					
Cosplay costumes	**47,314**	**23.5%**	50,299	25.6%	(5.9%)
Cosplay wigs	**46,666**	**16.4%**	57,390	20.0%	(18.7%)
Sexy lingerie	**19,963**	**23.1%**	31,549	27.5%	(36.7%)
Others	**–**	**–**	1,416	21.7%	(100.0%)
	113,943	**20.5%**	140,654	23.7%	(19.0%)
Total	**365,903**	**21.0%**	466,371	23.5%	(21.5%)

Revenue

During the year ended 31 December 2018, our revenue was mainly derived from our CMS business, representing approximately 68.9% (2017: 69.8%) of the total revenue respectively. Revenue derived from the CMS business decreased from approximately RMB325.7 million to approximately RMB252.0 million, representing a decrease of approximately 22.6%. Such decrease was mainly attributable to the drop in several overseas markets such as Australia, UK, Germany and US due to prevailing uncertainties of the global economic environment after the escalation of the China-US trade dispute.

The revenue derived from our OBM business decreased from approximately RMB140.7 million to approximately RMB113.9 million, representing a decrease of approximately 19.0%. Such decrease was mainly attributable to the drop in several overseas markets such as US, Israel and Brazil due to the prevailing uncertainties of global economic environment after the escalation of the China-US trade dispute.

Gross profit margin

Our gross profit margin decreased from approximately 23.5% to approximately 21.0%. The production costs of the industry have continued to increase, particularly in the inflationary wage costs and raw materials prices which has negative effects on the profitability of our group.

Cost of sales

Our cost of sales mainly comprised raw material cost, direct labor cost and manufacturing overhead. Manufacturing overhead includes subcontracting payments, utilities and social insurance for our production staff and other miscellaneous items.

Other income

Our other income increased by approximately RMB7.5 million, from approximately RMB1.7 million to approximately RMB9.2 million. The increase was primarily due to an increase in exchange gain of approximately RMB2.0 million and interest income on financial assets at FVTPL of approximately RMB3.0 million.

Selling expenses

Our selling expenses decreased by approximately RMB8.7 million, from approximately RMB19.0 million to approximately RMB10.3 million. The decrease was primarily due to the decrease in transportation expense of approximately RMB3.6 million and advertising and marketing expense of approximately RMB4.6 million.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately RMB17.1 million, from approximately RMB68.5 million to approximately RMB85.6 million. The increase was primarily due to an increase in impairment loss on property, plant and equipment of approximately RMB24.4 million.

Finance costs

Our finance costs increased by approximately RMB1.1 million, from approximately RMB4.1 million to approximately RMB5.2 million. The increase was primarily due to the interests paid for the convertible bonds and higher average loan balance in 2018.

Income tax

Our income tax decreased by approximately RMB9.1 million, from income tax expense of approximately RMB5.6 million to tax credit of approximately RMB3.5 million. The record of tax credit was primarily due to the recognition of deferred tax of approximately RMB6.1 million on impairment loss property, plant and equipment during the year.

Financial resources and liquidity and capital structure

As at 31 December 2018, the total amount of bank balances and cash of the Group was approximately RMB75.4 million, an increase of approximately RMB6.2 million compared with that as at 31 December 2017. The increase arose mainly from the increase in borrowings of approximately RMB16.4 million.

The borrowings of the Group represented bank and other short term borrowings of approximately RMB69.4 million.

As at 31 December 2018, current ratio and gearing ratio was 131.3% and 14.1% respectively, represented a decrease of 11.0% and 1.6% compared with that in the corresponding year respectively. The decrease in the current ratio arose mainly from the capital expenditure of approximately RMB40.9 million in property, plant and equipment. The decrease in the gearing ratio was mainly due to the increase in our equity by the allotment of new shares during the year.

Capital expenditure

During the year ended 31 December 2018, the Group invested approximately RMB40.9 million in the construction and decoration of two new factory buildings at our Yichun Production Plant and a Research and Development, Service and Experience Centre at our Yiwu Production Plant.

Pledged of assets

As at 31 December 2018, the bank loans were secured by the Group's prepaid lease payment and buildings with carrying value of approximately RMB12.4 million and RMB176.4 million respectively.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2018.

Foreign currency exposure

Our exposures to currency risk arise from its sales to and purchases from overseas, which are primarily denominated in USD and Euro. These are not the functional currencies of our entities to which these transactions relate. We currently do not have a group foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Event after the reporting date

There were no significant events after the reporting period of the Group.

Human resources

As of 31 December 2018, we had approximately 974 employees. Total staff costs for the year amounted to approximately RMB91.1 million.

Remuneration policy

The remuneration policy of the employees (including key management) of the Group was established by the management of the Group on the basis of their merit, qualifications and competence. The Remuneration Committee will review and recommend the remuneration policy to the Board for approval.

The remuneration of the Directors of the Company are reviewed and recommended by the Remuneration Committee to the Board for approval, having regard to the Company's operating results, individual performance and comparable market statistics. No Director, or any of his associates and executives, is involved in dealing with his own remuneration.

We have adopted a share option scheme to recognise and reward the contribution of our employees, provide incentives to retain them to support our continued growth and to attract suitable personnel for further development. We regularly review the remuneration and benefits of our employees according to the relevant market practice, employee performance and the financial performance of the Company.

USE OF PROCEED

On 13 March 2018, the Company issued 141,489,000 ordinary shares by way of placing at a price of HK$0.53 per share, and the net proceeds from the placing is approximately HK$72.5 million. The net proceeds have been used (i) as to HK$70.0 million for the subscription of convertible bonds issued by Charm Success Global Investment Limited which completed on 15 March 2018; (ii) as to approximately HK$2.5 million for working capital of the Group and had been fully utilised during the year ended 31 December 2018.

For details of the above transactions, please refer to the announcements dated 14 February 2018, 21 February 2018, 23 February 2018, 2 March 2018, 13 March 2018 and 15 March 2018.

TERMINATION OF JOINT VENTURE AGREEMENT AND REDEMPTION OF CONVERTIBLE BONDS

Convertible Bonds in the principal amount of HK$20,000,000 were issued on 18 May 2016. After deducting the legal cost and issue expenses, the net proceeds of HK$19,550,000 are intended to be used for future possible acquisition(s), future development and general working capital of the Group. As at 31 December 2017, a sum of HK$4,750,000 from the net proceeds has been assigned to the development of a joint venture engaged in the development of mobile games and gaming derivative products which include cosplay costumes and other entertainment products and subsequent reallocated for the purpose of general working capital of the Group upon the redemption of Convertible Bonds by the Company and termination of the joint venture agreement on 18 May 2018, and had been fully utilised during the year ended 31 December 2018.

SUBSCRIPTION OF CONVERTIBLE BONDS

On 15 March 2018, the Group completed the subscription of convertible bonds with principal amount of HK$70,000,000 (equivalent to RMB56,693,000) with annual coupon of 6%, issued by Charm Success Global Investment Limited, an independent third party, in which its holding company, Elite Global Group, has entered into the License Agreement with Viacom Media Networks ("**VMN**"), a division of Viacom International Inc., pursuant to which VMN has granted to Elite Global Group a right to, among others, design, develop, construct, launch and operate and manage a theme park in the PRC as a Nickelodeon themed and branded theme park using the approved licensed property elements (as defined in the License Agreement).

For details of the above transaction, please refer to the announcements dated 23 February 2018, 2 March 2018 and 15 March 2018.

PROSPECTUS

There has been a sharp shift in sentiment in the second half of 2018. Market confidence was generally negatively impacted after the escalation of the China-US trade dispute and uncertainty on macroeconomic outlook. The decrease in orders placed by overseas customers who become cautious have greatly affected our performance.

The global economic outlook is anticipated to be challenging in the year 2019. The China-US tensions and the US bilateral trade policies and protectionism measures with increased retaliatory tariffs are expected to pose increase geopolitical risk to global nations, which will cast uncertainties over political, monetary, fiscal and trade policy development and affected most manufacturers in Mainland China. The Group expects consumption will continue to slow. Despite the foregoing, the Group will continue to seek for cooperation with other intellectual property right owners to engage in different business, strengthen the Group's capabilities and rapidly enhance our competitive and operation scale.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Monday, 10 June 2019 to Friday, 14 June 2019, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's transfer office and share registrar in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 6 June 2019.

CORPORATE GOVERNANCE REPORT

The Board is committed to achieving high standards of corporate governance to safeguard the interest of the Company's shareholders and to enhance corporate value and accountability. For the year ended 31 December 2018, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules, except in relation to CG Code provision A.2.1, as more particular describe below:

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The roles of the chairman and the chief executive officer of the Company are not separate and both are performed by Mr. Lin Xin Fu. In view of Mr. Lin joined our group since 2006, our Board believes that it is in the best interest of our Group to have Mr. Lin taking up both roles for effective management and business development. Therefore, our Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance.

The Group also has an internal control system in place serving the check and balance function. There are three Independent Non-executive Directors who represent nearly one half of the Board offering practical, independent and differing perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors had compiled with the required standard set out in the Model Code throughout year ended 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2018.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 7 August 2015 with written terms of reference in compliance with the CG code, and currently comprises three Independent Non-executive Directors, namely Mr. Leung Siu Hong (as chairman), Mr. Chen Wen Hua and Ms. Peng Xu. The primary duties of the Audit Committee are to review the financial reporting process and internal control and risk management systems of the Group. The Audit Committee has reviewed the Company's annual results for the year ended 31 December 2018.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited ("**Grant Thornton**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Grant Thornton in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS AND 2018 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange and the Company, and the 2018 annual report of the Company for the year ended 31 December 2018 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
China Partytime Culture Holdings Limited
Lin Xin Fu
Chairman

Hong Kong, 29 March 2019

As at the date of this announcement, the Board comprises (i) three Executive Directors, namely Mr. Lin Xin Fu, Mr. Ma Chi Kwan and Mr. Phen Chun Shing, Vincent; (ii) one Non-executive Director, namely Ms. Chen Sheng; and (iii) three Independent Non-executive Directors, namely Mr. Leung Siu Hong, Mr. Chen Wen Hua and Ms. Peng Xu.