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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the "**Board**") of directors (the "**Directors**") of China Partytime Culture Holdings Limited 中國派對文化控股有限公司 (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019, together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*5, 6*	**164,115**	226,142
Costs of sales		**(120,251)**	(178,330)
Gross profit		**43,864**	47,812
Other income	*7*	**3,769**	2,798
Selling expenses		**(4,146)**	(5,951)
Impairment loss on property, plant and equipment		**(18,848)**	—
Administrative and other operating expenses		**(26,555)**	(28,721)
(Loss)/Profit from operations		**(1,916)**	15,938
Finance costs		**(3,113)**	(2,316)
(Loss)/Profit before income tax	*8*	**(5,029)**	13,622
Income tax credit/(expense)	*9*	**1,661**	(3,210)
(Loss)/Profit for the period		**(3,368)**	10,412

	NOTES	Six months ended 30 June **2019** ***RMB'000*** **(unaudited)**	 2018 *RMB'000* (unaudited)
Other comprehensive (expenses)/income:			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operation recognised		**(273)**	2,434
Other comprehensive (expenses)/income for the period, net of nil tax		**(273)**	2,434
Total comprehensive (expenses)/income for the period		**(3,641)**	12,846
(Loss)/Earnings per share for (loss)/profit attributable to equity holders of the Company		***RMB (cents)***	*RMB (cents)*
Basic	*11*	**(0.38)**	1.24
Diluted	*11*	**(0.38)**	1.24

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2019

	NOTES	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Trademark	14	**109**	156
Right-of-use assets/Prepaid land lease payments	12	**12,244**	12,097
Property, plant and equipment	13	**409,820**	381,223
Interest in a joint venture		**—**	2
Financial assets at fair value through profit or loss	17	**61,932**	62,263
Deferred tax assets		**10,815**	6,103
		494,920	461,844
Current assets			
Inventories	15	**17,246**	21,944
Trade and other receivables	16	**64,433**	27,630
Prepaid land lease payments	12	**—**	293
Tax recoverable		**—**	3,251
Bank balances and cash		**70,256**	75,417
		151,935	128,535
Current liabilities			
Trade and other payables	18	**50,458**	28,070
Contract liabilities		**—**	430
Short term borrowings		**104,896**	69,370
Income tax payable		**2,633**	—
		157,987	97,870
Net current (liabilities)/assets		**(6,052)**	30,665
Total assets less current liabilities		**488,868**	492,509
CAPITAL AND RESERVES			
Share capital		**7,352**	7,352
Reserves		**481,516**	485,157
Total equity		**488,868**	492,509

NOTES TO THE INTERIM FINANCIAL REPORT

for the Six months ended 30 June 2019

1. GENERAL INFORMATION

China Partytime Culture Holdings Limited (the "**Company**") was incorporated in the Cayman Islands as 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, 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.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange and Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The condensed consolidated interim financial information does not include all of the information required in annual financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2018.

As at 30 June 2019, the Group had net current liabilities of approximately RMB6,052,000 and recorded a net loss attributable to equity holders of the Company of approximately RMB3,368,000 for the six months ended 30 June 2019. These events or conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Management has prepared cash flow projections which cover a period of twelve months from the date of the condensed consolidated statement of financial position. The directors of the Company (the "**Directors**") have reviewed the Group's cash flow projections. Based on the cash flow projection with anticipated cash inflows from operation, the Group will have sufficient working capital to fulfil its financial obligation as and when they fall due in the coming twelve months from the date of the condensed consolidated statement of financial position. The Directors consider that it is appropriate to prepare this interim report on a going concern basis and the interim report does not include adjustments that would result should the Group be unable to continue as a going concern.

The condensed consolidated interim financial information is unaudited.

The condensed consolidated interim financial information is presented in thousands of units of Renminbi ("**RMB'000**"), except when otherwise indicated, which was approved for issue by the Board of Directors on 29 August 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statement for the six months ended 30 June 2019 has been prepared in accordance with the accounting policies adopted in the Group's most recent annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new accounting policies as a result of the adoption of the new and amended Hong Kong Financial Reporting Standards ("**HKFRSs**") as set out below:

Adoption of new and amended HKFRSs

The Group has adopted the following new and amended HKFRSs that have become effective for accounting period beginning on 1 January 2019 and are relevant to the Group:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

The Group has not early adopted any other standards, interpretation on amendment that has been issued but is not yet effective.

Other than the impact of the adoption of HKFRS 16 as noted below, the adoption of the newly effective HKFRSs has no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented. For those which are not yet effective and have not been early adopted by the Group, the Group is in the process of assessing their impact on the Group's results and financial position.

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

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

The accounting policies applicable to the Group as a lessor in the comparative period are not different from HKFRS 16.

The Group applies 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 has already recognised the prepaid land lease payments for leasehold land where the Group is a lessee. The application of HKFRS 16 does not have impact on these assets except for the whole balance is now presented as "Right-of-use assets" under non-current assets.

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the condensed consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019.

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset (except for those meeting the definition of investment properties) for impairment when such indicator exists.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The Group elects to adopt HKFRS 16 using a modified retrospective approach 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.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected 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.

As at 1 January 2019, the Group has non-cancellable operating lease commitments of RMB184,000 which was previously accounted for as operating leases with a remaining lease term of less than 12 months. On transition, the Group has applied the optional exemptions 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.

The following table summarises the impact of transition to HKFRS 16 on the Group's condensed consolidated statement of financial position at 1 January 2019:

	2018
	RMB'000
Increase in right-of-use assets	293
Decrease in prepaid land leases payments (current assets)	(293)

4. ESTIMATES AND JUDGEMENTS

The preparation of condensed consolidated interim financial information requires management to make accounting judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements of the Group for the year ended 31 December 2018.

5. SEGMENT INFORMATION

The Executive Directors of the Company, being the chief operating decision makers, have identified the Group's two product and service lines as operating segments.

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 expenses. All assets are allocated to reportable segments other than cash and cash equivalents, financial assets at fair value through profit or loss 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:

	Six months ended 30 June 2019		
	Wigs	**Clothing and others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
	(unaudited)	**(unaudited)**	**(unaudited)**
Revenue from external customers	**60,875**	**103,240**	**164,115**
Segment results	**204**	**20,659**	**20,863**
Finance costs			**(3,113)**
Bank interest income			**139**
Unallocated income			**3,630**
Unallocated expenses			**(26,548)**
Loss before income tax			**(5,029)**
Income tax credit			**1,661**
Loss for the period			**(3,368)**
Other segment items			
Depreciation and amortisation	**3,678**	**7,087**	**10,765**
Impairment loss on property, plant and equipment	**13,341**	**5,507**	**18,848**
Capital expenditure	**25,377**	**32,650**	**58,027**
Loss on disposal of property, plant and equipment	**—**	**7**	**7**

	Six months ended 30 June 2018		
	Wigs	Clothing and others	Total
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)
Revenue from external customers	91,545	134,597	226,142
Segment results	17,237	24,624	41,861
Finance costs			(2,316)
Bank interest income			123
Unallocated income			2,675
Unallocated expenses			(28,721)
Profit before income tax			13,622
Income tax expense			(3,210)
Profit for the period			10,412
Other segment items			
Depreciation and amortisation	1,928	8,613	10,541
Capital expenditure	4,305	11,213	15,518

	As at 30 June 2019			
	Wigs	**Clothing and others**	**Unallocated**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**
Reportable segment assets	**179,118**	**311,527**	**156,210**	**646,855**
Reportable segment liabilities	**17,965**	**20,316**	**119,706**	**157,987**

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

6. REVENUE

The Group's principal activities are disclosed in note 1 to the condensed consolidated financial statements. 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 period is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Wigs	**60,875**	91,545
Clothing and others	**103,240**	134,597
	164,115	226,142

For the six months ended 30 June 2019 and 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 lines are as follow:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Contract Manufacturing Services ("CMS") business		
Cosplay costumes	**48,569**	72,857
Cosplay wigs	**42,120**	60,730
Sexy lingerie	**19,043**	20,538
Others	**26**	—
	109,758	154,125
Original Brand Manufacturing ("OBM") business		
Cosplay costumes	**25,447**	30,197
Cosplay wigs	**18,755**	30,815
Sexy lingerie	**10,155**	11,005
	54,357	72,017
	164,115	226,142

7. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Exchange gain	**768**	587
Bank interest income	**139**	123
Interest income on financial assets at fair value through profit or loss	**1,800**	1,187
Rental income	**803**	626
Government grant *(note)*	**219**	252
Others	**40**	23
	3,769	2,798

Note: The Group was entitled to receive (1) a subsidy from the local government authority for export sales business conducted in the Yichun Development Zone and (2) a specific grant/subsidy in the Yichun Development Zone.

8. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost of inventories recognised as an expense	**90,313**	134,208
Depreciation	**10,572**	10,347
Depreciation of right of use assets (2018: Amortisation of prepaid land lease payments)	**146**	147
Amortisation of trademark	**47**	47
Loss on disposal of interest in a joint venture	**2**	—
Loss on disposal of property, plant and equipment	**7**	—
Impairment loss on property, plant and equipment	**18,848**	—
Operating lease charges in respect of land and buildings	**121**	114
Fair value loss on financial assets at fair value through profit or loss	**2,216**	—
Research and development cost	**8,094**	12,176
Exchange gain	**(768)**	(587)
Government grant	**(219)**	(252)
Staff costs		
— Salaries, allowances and other benefits	**29,369**	42,344
— Contributions to defined contribution retirement plans	**4,286**	6,650
	33,655	48,994

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 six months ended 30 June 2019 and 2018.

The provision for PRC enterprise income tax has been provided at the applicable tax rate of 25% (2018: 25%) on the assessable profits of the PRC subsidiaries.

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax		
Current period — PRC enterprise income tax	**3,051**	3,210
Deferred tax	**(4,712)**	—
Income tax (credit)/expense	**(1,661)**	3,210

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. Certain subsidiaries have been 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. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: nil).

11. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company of RMB3,368,000 (2018: profit for the period attributable to equity holders of the Company of RMB10,412,000) and the weighted average number of ordinary shares of 897,723,000 in issue during the period (2018: 841,440,000).

No diluted earnings per share has been presented for the six months ended 30 June 2019 as there was no dilutive share outstanding during the period.

For the six months ended 30 June 2018, the computation of diluted earnings per share has not assumed the conversation of the Company's outstanding convertible bonds since the conversation would result in an increase in earnings per share.

12. RIGHT-OF-USE ASSETS/PREPAID LAND LEASE PAYMENTS

	As at 30 June 2019 *RMB'000* **(unaudited)**	As at 31 December 2018 *RMB'000* (audited)
Carrying amount at the beginning of the period/year	**12,390**	12,683
Depreciation charged (2018: Amortised) during the period/year	**(146)**	(293)
Carrying amount at the end of the period/year	**12,244**	12,390

Upon initial applications of HKFRS 16, the right-of-use assets represent prepaid land lease payments in relation to the leasehold land situated in the PRC and is held under a medium term lease.

As at 30 June 2019, the Group's right-of-use assets (2018: prepaid land lease payments) amounting to RMB12,244,000 (31 December 2018: RMB12,390,000) were pledged to secure bank borrowings granted to the Group.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	**Plant and machineries** *RMB'000*	**Motor vehicles** *RMB'000*	**Furniture and equipment** *RMB'000*	**Leasehold improvement** *RMB'000*	**Construction in progress** *RMB'000*	**Total** *RMB'000*
Cost							
As at 1 January 2019	242,368	35,537	3,434	4,938	51,030	131,336	468,643
Additions	—	1,474	261	2,647	3,555	50,090	58,027
Transfers	2,000	—	—	—	10,000	(12,000)	—
Disposals	—	(24)	—	(20)	—	—	(44)
As at 30 June 2019 (unaudited)	**244,368**	**36,987**	**3,695**	**7,565**	**64,585**	**169,426**	**526,626**
Accumulated depreciation							
As at 1 January 2019	41,585	12,317	2,578	3,011	27,929	—	87,420
Charge for the period	3,337	1,590	169	340	5,136	—	10,572
Written back on disposal	—	(15)	—	(19)	—	—	(34)
Impairment loss/(Reversal of impairment loss)	14,634	1,210	(126)	—	3,130	—	18,848
As at 30 June 2019 (unaudited)	**59,556**	**15,102**	**2,621**	**3,332**	**36,195**	**—**	**116,806**
Net book amount							
As at 30 June 2019 (unaudited)	**184,812**	**21,885**	**1,074**	**4,233**	**28,390**	**169,426**	**409,820**
As at 31 December 2018 (audited)	200,783	23,220	856	1,927	23,101	131,336	381,223

As at 30 June 2019, the Group's buildings with a total value amounting to RMB161,012,000 (31 December 2018: RMB176,363,000) were pledged to banks to secure bank borrowings granted to the Group.

During the six months ended 30 June 2019, the decline of sales performance on each of the Group's reportable segments due to the trade dispute between China and United States indicates that the carrying amount of property, plant and equipment may not be recoverable and these assets are subject to an impairment loss.

The Group has determined the amount of the impairment loss of property, plant and equipment based on the recoverable amount of each cash-generating units ("**CGUs**") with property, plant and equipment allocated. The recoverable amounts of the CGUs have been determined based on value in use calculations, which use cashflow forecast available as at 30 June 2019. Fair value less costs of disposal is not used as the management considered that it will not be possible to measure fair value less costs of disposal of each CGUs because there is no basis for making a reliable estimate of the price. These cashflow forecasts are derived from the approved business plan which has a forecast covering a period of five years.

The key assumptions used in the value in use calculations are as follows:

— The sales growth rate assumptions are based on management estimates and expectations of current market conditions.

— The utilisation rate of the production line represents the forecast projections in the business plan.

— The cash flow projections are discounted using a discount rate of 17.64% (31 December 2018: 18.29%). The discount rates reflect the current market assessments of the time value of money and are based on the estimated cost of capital and adjusted for lack of marketability.

— A terminal growth rate has been used in estimating cash flows beyond a period of five years. A nominal rate of 3% (31 December 2018: 3%) has been used.

During the six months ended 30 June 2019, impairment loss of RMB18,848,000 was recognised on property, plant and equipment.

14. TRADEMARK

	Trademark
	RMB'000
Cost	
As at 1 January 2019 and 30 June 2019 (unaudited)	**500**
Accumulated amortisation	
As at 1 January 2019	344
Charge for the period	47
As at 30 June 2019 (unaudited)	**391**
Net book amount	
As at 30 June 2019 (unaudited)	**109**
As at 31 December 2018 (audited)	156

The amortisation charge for the period is included in "administrative and other operating expenses" in the condensed consolidated statement of profit or loss and other comprehensive income.

15. INVENTORIES

	As at 30 June 2019 *RMB'000* **(unaudited)**	As at 31 December 2018 *RMB'000* (audited)
Raw materials	**15,931**	19,114
Work in progress	**535**	2,068
Finished goods	**780**	762
	17,246	21,944

16. TRADE AND OTHER RECEIVABLES

	As at 30 June 2019 *RMB'000* **(unaudited)**	As at 31 December 2018 *RMB'000* (audited)
Trade receivables		
— from third parties	**50,604**	16,359
Deposits, prepayments and other receivables		
Prepayments	**6,805**	6,144
Other tax receivables	**6,409**	4,010
Deposits	**380**	379
Other receivables	**235**	738
	13,829	11,271
	64,433	27,630

The Group usually requires advance deposits from its customers. Before accepting any new customer, the Group will follow 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:

	As at 30 June 2019 *RMB'000* **(unaudited)**	As at 31 December 2018 *RMB'000* (audited)
0–30 days	**37,976**	12,089
31–60 days	**12,628**	3,096
61–90 days	**—**	1,043
91–365 days	**—**	131
	50,604	16,359

As at 30 June 2019, no trade receivables were individually determined to be impaired (31 December 2018: nil).

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, eg 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.

17. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Unlisted convertible bond	**61,932**	62,263

On 23 February 2018, Unlock Bound Investments Limited ("**Unlock Bound**"), a wholly-owned subsidiary of the Company, subscribed for a convertible bond in a principal amount of HK$70,000,000 (equivalent to RMB56,693,000) ("**CSG Convertible Bond**") with annual coupon rate of 6%, issued by Charm Success Global Investment Limited ("**CSG**"), an independent third party. CSG is an unlisted company incorporated in the BVI 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 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 period are set out below:

	For the six months ended 30 June 2019	For the year ended 31 December 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Fair value at beginning of the period/23 February 2018	**62,263**	56,693
Accrued interest income	**1,800**	3,020
Fair value loss	**(2,216)**	(2,281)
Exchange adjustments	**85**	4,831
Fair value at the end of the period/year	**61,932**	62,263

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

18. TRADE AND OTHER PAYABLES

	As at 30 June 2019 *RMB'000* **(unaudited)**	As at 31 December 2018 *RMB'000* (audited)
Trade payables		
— to third parties	**32,065**	15,682
Accrued charges and other payables		
— Salaries payables	**6,216**	4,360
— Other tax payables	**836**	799
— Other payables	**11,341**	7,229
	18,393	12,388
	50,458	28,070

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:

	As at 30 June 2019 *RMB'000* **(unaudited)**	As at 31 December 2018 *RMB'000* (audited)
0–30 days	**32,065**	15,682

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross profit margin

	Six months ended 30 June				
	2019		2018		
	Revenue	**Gross Profit margin**	Revenue	Gross Profit margin	Revenue % change
	RMB'000	**%**	*RMB'000*	%	
CMS business					
Cosplay costumes	**48,569**	**27.6%**	72,857	20.2%	(33.3)%
Cosplay wigs	**42,120**	**26.2%**	60,730	22.5%	(30.6)%
Sexy lingerie	**19,043**	**27.0%**	20,538	21.8%	(7.3)%
Others	**26**	**26.9%**	—	—	100.0%
	109,758	**27.0%**	154,125	21.3%	
OBM business					
Cosplay costumes	**25,447**	**29.3%**	30,197	21.9%	(15.7)%
Cosplay wigs	**18,755**	**22.3%**	30,815	19.5%	(39.1)%
Sexy lingerie	**10,155**	**25.9%**	11,005	21.1%	(7.7)%
	54,357	**26.3%**	72,017	20.8%	
Total	**164,115**	**26.7%**	226,142	21.1%	

Revenue

During the six months ended 30 June 2019, 66.9% (2018: 68.2%) of our total revenue was mainly derived from our CMS business. Our revenue derived from the CMS business decreased from approximately RMB154.1 million to approximately RMB109.8 million, representing a decrease of approximately 28.8%. Such decrease was mainly due to the drop in certain markets such as Australia, Germany and United States ("**US**") due to the fact that the global economic environment was prevailing with uncertainties under the prolonged trade dispute between China and the US.

The revenue derived from our OBM business decreased from approximately RMB72.0 million to approximately RMB54.4 million, representing a decrease of approximately 24.5%. Such decrease was mainly attributable to the drop in several overseas markets such as US and Israel due to the fact that the global economic environment was prevailing with uncertainties under the prolonged trade dispute between the China and the US.

Gross profit margin

Our gross profit margin increased from approximately 21.1% to approximately 26.7% during the period. The increase was mainly resulted from our research and development capability which enhanced production efficiency and new products design which resulted in a higher gross margin.

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 RMB1.0 million, from approximately RMB2.8 million to approximately RMB3.8 million. The increase was primarily due to an increase in interest income on financial assets at fair value through profit or loss of approximately RMB0.6 million.

Selling expenses

Our selling expenses primarily consist of delivery expenses, staff costs and advertising and marketing expenses. Selling expenses represent approximately 2.5% and 2.6% of the revenue for the six months ended 30 June 2019 and 2018, respectively.

Administrative and other operating expenses

Our administrative and other operating expenses decreased by approximately RMB2.1 million, from approximately RMB28.7 million to approximately RMB26.6 million. The decrease was primarily due to a decrease in research and development cost of approximately RMB4.1 million.

Impairment loss on property, plant and equipment

During the period, impairment loss on property, plant and equipment of approximately RMB18.8 million was recognised as a result of the continuous drop in the turnover and the recoverable amount were below the property, plant and equipment's carrying value.

Finance costs

Our finance costs increased by approximately RMB0.8 million, from approximately RMB2.3 million to approximately RMB3.1 million. The increase in finance costs was primarily due to the payment of interests on other short term borrowings.

Income tax

Our income tax expense decreased by approximately RMB4.9 million, from income tax expenses of approximately RMB3.2 million to a tax credit of approximately RMB1.7 million. The record of a tax credit was primarily due to the recognition of deferred tax of approximately RMB4.7 million on impairment loss on property, plant and equipment during the period.

Financial resources and liquidity

As at 30 June 2019, the total amount of cash and cash equivalent of the Group was approximately RMB70.3 million, a decrease of approximately RMB5.2 million compared with that as at 31 December 2018. The decrease was mainly arose from the capital expenditure of approximately RMB58.0 million which was funded by the internal working capital and the increase in short term borrowings of approximately RMB35.6 million. As at 30 June 2019, the financial ratio of the Group was as follows:

	As at 30 June 2019	As at 31 December 2018
Current ratio(1)	**96.2%**	131.3%
Gearing ratio(2)	**21.5%**	14.1%

Notes:

(1) Current ratio is calculated based on the total current assets divided by the total current liabilities and multiplied by 100%.

(2) Gearing ratio is calculated based on the total borrowings divided by total equity and multiplied by 100%.

Capital expenditure

During the six months ended 30 June 2019, the Group invested approximately RMB58.0 million in property, plant and equipment, which mainly consist of construction and decoration of a new factory building at our Yichun Production Plant and a Research and Development Centre, and Service and Experience Centre at our Yiwu Production Plant.

The related infrastructure construction and related fire control work of the E-commerce Operation Centre and the Service and Experience Centre have been completed and examined in December 2018 and August 2019 respectively.

For the new factory building at our Yichun Production Plant, infrastructure construction and related fire control work have been completed in July 2019. However, due to the continuous decline in the turnover in the past 2 years and the uncertain foreign trade environment due to the escalation of the China-US trade dispute, the management of the Group have a reservation view over the current timetable to expand the production capacity. The Group will closely monitor both the internal and the external factors and will decide on the investment of new production lines in due course.

Pledged of assets

As at 30 June 2019, the bank loans were secured by the Group's prepaid land lease payments with carrying value of approximately RMB12.2 million (31 December 2018: RMB12.4 million) and buildings with carrying value of approximately RMB161.0 million (31 December 2018: RMB176.4 million).

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2019 and 31 December 2018.

Foreign currency exposure

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

Employees and remuneration policy

As of 30 June 2019, we had approximately 950 employees. Total staff costs for the period amounted to approximately RMB33.7 million. The remuneration policy of the Group is reviewed regularly according to the relevant market practice, employee performance and the financial performance of the Group. There is no significant change in the Group's remuneration policies.

BUSINESS REVIEW

The Group is principally engaged in design, develop, produce, sell and market cosplay products (including cosplay costumes and cosplay wigs) and non-cosplay apparels including 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.

	Six months ended 30 June				
	2019		2018		Increase (decrease) of revenue
	Revenue RMB'000	***% of total***	*Revenue RMB'000*	*% of total*	*(approximate %)*
CMS business	**109,758**	**66.9%**	154,125	68.2%	(28.8)%
OBM business	**54,357**	**33.1%**	72,017	31.8%	(24.5)%
Total	**164,115**	**100.0%**	226,142	100.0%	(27.4)%

Revenue by operating and reportable segments

	Six months ended 30 June				
	2019		2018		Increase (decrease) of revenue
	Revenue RMB'000	***% of total***	*Revenue RMB'000*	*% of total*	*(approximate %)*
Wigs	**60,875**	**37.1%**	91,545	40.5%	(33.5)%
Clothing and others	**103,240**	**62.9%**	134,597	59.5%	(23.3)%
Total	**164,115**	**100.0%**	226,142	100.0%	(27.4)%

Loss attributable to the equity holders of the Company for the six months ended 30 June 2019 amounted to approximately RMB3.4 million as compared with a profit attributable to equity holders of the Company of approximately RMB10.5 million for the six months ended 30 June 2018. The Board considers that the aforesaid turnaround from profit to loss position was primarily attributable to the impairment loss recognized on property, plant and equipment of the Group as a result of the significant drop in the turnover under the prolonged trade disputes between China and the US and the uncertainty of the outcomes of the Sino-American trade negotiation.

BUSINESS PROSPECTS

In view of the trade dispute between China and the US and the turndown of the market situation, it is expected that the global economy for the second half of 2019 will be slowed down. Looking forward to the ensuing months of this financial year, the performance of the Group is vulnerable to the outcomes of the Sino-American trade negotiation. If mutually acceptable solutions could be found, the business environment is expected to be normalized for the Group's business whose major markets were in US and other countries in Europe.

To face the current complex business situation, we will endeavor to diversify our business and broaden our revenue stream by cooperation with other intellectual property right owners. We will also proceed to mergers and acquisition, industrial integration and business expansion. The Group will continue to evaluate and seek target companies which have investment value and which can generate synergies with our businesses within the industry and along the industry chain, with the aim of bringing greater return to shareholders while expanding its business and revenue streams.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2019.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiary purchased, redeemed or sold any of the Company's listed securities for the six months ended 30 June 2019.

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

To the knowledge of the Board, the Company had fully complied with the relevant code provisions in the CG Code for the six months ended 30 June 2019 save for the deviation as explained 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 the fact that Mr. Lin has 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors, all Directors declared that they have complied with the Model Code throughout the review period.

REVIEW OF INTERIM RESULTS AND INTERIM REPORT

The audit committee of the Company (the "**Audit Committee**") comprises all the three Independent Non-executive Directors. The Audit Committee has reviewed the results (including the unaudited condensed consolidated financial statements) of the Group and the interim report.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.partytime.com.cn), and the interim report of the Company for the six months ended 30 June 2019 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the above websites in due course.

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

Hong Kong, 29 August 2019

As at the date of this announcement, the Board comprises (i) three Executive Director, 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. Zheng Jin Min, Mr. Chen Wen Hua and Ms. Peng Xu.