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 2019

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 2019, together with the comparative figures for the year ended 31 December 2018, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2019** **_RMB'000_**	2018 *RMB'000*
Revenue	*5*	**316,064**	365,903
Costs of sales		**(232,663)**	(289,192)
Gross profit		**83,401**	76,711
Other income	*6*	**5,254**	9,160
Selling expenses		**(8,198)**	(10,291)
Impairment loss on property, plant and equipment, net		**(12,913)**	(24,410)
Impairment loss on investment properties		**(18,671)**	—
Fair value loss on financial assets at fair value through profit or loss		**(60,524)**	(2,281)
Administrative and other operating expenses		**(58,194)**	(58,935)
Loss from operations		**(69,845)**	(10,046)
Finance costs	*7*	**(6,699)**	(5,229)
Loss before income tax	*8*	**(76,544)**	(15,275)
Income tax credit	*9*	**4,339**	3,540
Loss for the year		**(72,205)**	(11,735)

	Notes	**2019**	2018
		RMB'000	*RMB'000*
Other comprehensive (expenses)/income:			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operation recognised		**(621)**	4,202
Other comprehensive (expenses)/income for the year, net of nil tax		**(621)**	4,202
Total comprehensive expenses for the year		**(72,826)**	(7,533)
Loss per share for loss attributable to equity holders of the Company	*10*	***RMB (cents)***	*RMB (cents)*
Basic		**(8.04)**	(1.35)
Diluted		**(8.04)**	(1.35)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2019 RMB'000	2018 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Trademark		**63**	156
Right-of-use assets/Prepaid land lease payments		**10,997**	12,097
Investment properties		**20,754**	—
Property, plant and equipment		**362,865**	381,223
Interest in a joint venture		**—**	2
Financial assets at fair value through profit or loss		**1,969**	62,263
Deferred tax assets		**13,393**	6,103
		410,041	461,844
Current assets			
Inventories		**24,271**	21,944
Trade and other receivables	*12*	**41,349**	27,630
Prepaid land lease payments		**—**	293
Net investment in leases		**4,976**	—
Tax recoverable		**1,801**	3,251
Bank balances and cash		**78,761**	75,417
		151,158	128,535
Current liabilities			
Trade and other payables	*13*	**44,112**	28,070
Contract liabilities	*14*	**—**	430
Lease liabilities		**2,707**	—
Short term borrowings		**94,697**	69,370
		141,516	97,870
Net current assets		**9,642**	30,665
Net assets		**419,683**	492,509
CAPITAL AND RESERVES			
Share capital		**7,352**	7,352
Reserves		**412,331**	485,157
Total equity		**419,683**	492,509

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 2019, 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 2019

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 operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2019:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle
HK (IFRIC) — Int 23	Uncertainty over Income Tax Treatments

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 16 "Leases"

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

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 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 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.

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.

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.

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 to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

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

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

The accounting policies applicable to the Group as a lessor in the comparative period are not different from HKFRS 16. The Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16.

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 17	Insurance Contracts[2]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]

1 Effective for annual periods beginning on or after 1 January 2020.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective date to be determined.
4 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.

4. Segment information

During the year, the Group has commenced to engage in the business of leasing of factory premises segment, with the objective to generate rental income from leasing of its self-owned factory premises and from subleasing of rented factory premises in Yiwu.

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;

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

(c) Leasing of factory premises (self-owned or held under leasehold interest)

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 (excluded finance charges on lease liabilities), bank interest income, loss on disposal on property, plant and equipment, unallocated other operating income, unallocated corporate expenses, and income tax credit. 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 2019			
	Wigs	**Clothing and others**	**Leasing of factory premises**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Revenue from external customers	**110,954**	**205,110**	**—**	**316,064**
Segment results	**3,839**	**59,512**	**(37,904)**	**25,447**
Finance costs (excluded finance charges on lease liabilities)				**(6,635)**
Bank interest income				**269**
Loss on disposal of property, plant and equipment				**(277)**
Unallocated income				**2,378**
Unallocated expenses				**(97,726)**
Loss before income tax				**(76,544)**
Income tax credit				**4,339**
Loss for the year				**(72,205)**
Other segment items				
Depreciation and amortisation	**8,576**	**13,869**	**3,419**	**25,864**
Provision/(Reversal) of impairment loss on property, plant and equipment	**13,341**	**(18,832)**	**18,404**	**12,913**
Impairment loss on investment properties	**—**	**—**	**18,671**	**18,671**
Capital expenditure	**25,148**	**26,565**	**12,324**	**64,037**
Expected credit losses ("**ECL**") allowance on trade receivables	**70**	**100**	**—**	**170**

	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

	As at 31 December 2019				
	Wigs	**Clothing and others**	**Leasing of factory premises**	**Unallocated**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Reportable segment assets	**143,957**	**260,017**	**53,444**	**103,781**	**561,199**
Reportable segment liabilities	**9,270**	**14,133**	**5,227**	**112,886**	**141,516**

	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

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.

	2019	2018
	RMB'000	*RMB'000*
PRC (place of domicile)	**18,518**	14,985
United States ("**US**")	**117,138**	146,082
Germany	**8,302**	16,233
United Kingdom ("**UK**")	**11,817**	12,315
Australia	**26,936**	40,783
Holland	**11,023**	7,839
Japan	**39,520**	34,253
Brazil	**15,015**	10,738
Israel	**17,308**	26,414
Others	**50,487**	56,261
	297,546	350,918
	316,064	365,903

The Group's non-current assets other than financial assets of fair value through profit or loss and deferred tax assets are substantially located in the PRC.

Information about major customers

During the year ended 31 December 2019, RMB38,096,000 or 12% (2018: RMB36,638,000 or 10%) of the Group's revenue was derived from a single customer of the Group.

As at 31 December 2019, 12% (2018: 13%) of the Group's trade receivables was due from this customer.

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:

	2019	2018
	RMB'000	*RMB'000*
Wigs	**110,954**	145,223
Clothing and others	**205,110**	220,680
	316,064	365,903

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:

	2019	2018
	RMB'000	*RMB'000*
Contract Manufacturing Services ("CMS") business		
Cosplay costumes	**89,438**	112,772
Cosplay wigs	**76,731**	98,557
Sexy lingerie	**33,575**	40,550
Others	**26**	81
	199,770	251,960
Original Brand Manufacturing ("OBM") business		
Cosplay costumes	**59,123**	47,314
Cosplay wigs	**34,223**	46,666
Sexy lingerie	**22,948**	19,963
	116,294	113,943
	316,064	365,903

6. Other income

	2019	2018
	RMB'000	*RMB'000*
Exchange gain, net	**2,080**	1,997
Interest income	**269**	267
Interest income on financial assets at FVTPL	**—**	3,020
Government grant *(note)*	**259**	2,352
Rental income from operating leases of plant and machineries		
— Lease payments that are fixed	**1,609**	1,426
Rental income from operating leases of investment properties		
— Lease payments that are fixed	**516**	—
Income relating to net investment in leases		
— Finance income	**482**	—
Others	**39**	98
	5,254	9,160

Note: The Group was entitled to receive subsidies from local government authorities in the Yichun Development Zone for (1) export sales business conducted; (2) labor employment; (3) participation in China Import and Export Fair and (4) a specific fund in the Yichun Development Zone.

7. Finance costs

	2019	2018
	RMB'000	*RMB'000*
Interest on bank and other short term borrowings	**6,635**	4,668
Finance charges on lease liabilities	**64**	—
Interest on convertible bonds	**—**	561
	6,699	5,229

8. Loss before income tax

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

	2019	2018
	RMB'000	*RMB'000*
Auditors' remuneration	**1,233**	1,088
Cost of inventories recognised as an expense	**172,967**	213,910
Depreciation		
— Property, plant and equipment	**24,715**	20,752
— Investment properties	**583**	—
— Right-of-use assets	**473**	—
Amortisation of prepaid land lease payments	**—**	293
Amortisation of trademark	**93**	94
Loss on disposal of interest in a joint venture	**2**	—
Loss on disposal of property, plant and equipment	**277**	750
Impairment loss on property, plant and equipment, net	**12,913**	24,410
Impairment loss on investment properties	**18,671**	—
Short term lease/lease with lease term shorter than 12 months as at initial application of HKFRS16/ operating lease charges in respect of land and buildings	**255**	—
Income relating to net investment in leases	**482**	247
Fair value loss on financial assets at FVTPL	**60,524**	2,281
ECL allowance on trade receivables	**170**	—
Exchange gain, net	**(2,080)**	(1,997)
Research and development cost	**18,160**	22,354
Government grant	**(259)**	(2,352)
Staff costs		
— Salaries, allowances and other benefits	**69,258**	80,302
— Contributions to defined contribution retirement plans	**8,218**	10,779
	77,476	91,081

9. Income tax credit

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 2019 (2018: nil).

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.

	2019	2018
	RMB'000	*RMB'000*
Current tax		
Current year — PRC enterprise income tax	**2,951**	2,563
Deferred tax	**(7,290)**	(6,103)
Income tax credit	**(4,339)**	(3,540)

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 per share

The calculation of basic loss per share is based on the loss for the year attributable to equity holders of the Company of RMB72,205,000 (2018: RMB11,735,000) and the weighted average 897,723,000 ordinary shares in issue during the year ended 31 December 2019 (2018: 869,813,000 ordinary shares).

No diluted loss per share has been presented for the year ended 31 December 2019 as there was no dilutive share outstanding during the year (2018: the computation of diluted loss per share has not assumed the conversation of the Company's outstanding convertible bonds since the conversation would result in an decrease in loss per share).

11. Dividends

No dividend was paid or proposed during 2019 nor has been any dividend proposed since the end of reporting period (2018: nil).

12. Trade and other receivables

	2019	2018
	RMB'000	*RMB'000*
Trade receivables		
— from third parties	**31,376**	16,359
Less: ECL allowance	**(170)**	—
	31,206	16,359
Deposits, prepayments and other receivables		
Prepayments	**5,002**	6,144
Other tax receivables	**4,566**	4,010
Deposits	**498**	379
Other receivables	**77**	738
	10,143	11,271
	41,349	27,630

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 45 to 60 days (2018: 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 ECL allowance, is as follows:

	2019	2018
	RMB'000	*RMB'000*
0–30 days	**24,685**	12,089
31–60 days	**4,837**	3,096
61–90 days	**564**	1,043
91–365 days	**1,120**	131
	31,206	16,359

As at 31 December 2019, ECL allowance of RMB170,000 (2018: nil) was recognised.

The ECL rate for trade receivables as at 31 December 2019 was determined as follows:

	2019
0–30 days	**0.71%**
31–60 days	**1.33%**
61–90 days	**1.93%**
91–365 days	**2.97%**

As at 31 December 2018, the directors considered the overall exposure to ECL is insignificant.

The movement in the ECL allowance of trade receivables, is as follows:

	2019	2018
	RMB'000	*RMB'000*
At 1 January	**—**	—
ECL allowance recognised during the year	**170**	—
At 31 December	**170**	—

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.

13. Trade and other payables

	2019	2018
	RMB'000	*RMB'000*
Trade payables		
— to third parties	**19,164**	15,682
Accrued charges and other payables		
— Salaries payable	**4,239**	4,360
— Other tax payables	**756**	799
— Other payables	**19,953**	7,229
	24,948	12,388
	44,112	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:

	2019	2018
	RMB'000	*RMB'000*
0–30 days	**19,164**	15,682

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.

14. Contract Liabilities

	2019	2018
	RMB'000	*RMB'000*
Contract liabilities arising from receiving deposits of manufacturing orders	**—**	430

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.

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 20 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.

	2019		2018		Increase/ (decrease) of revenue (approximate %)
	Revenue *RMB'000*	**% of total**	Revenue *RMB'000*	% of total	
CMS business	**199,770**	**63.2%**	251,960	68.9%	(20.7%)
OBM business	**116,294**	**36.8%**	113,943	31.1%	2.1%
Total	**316,064**	**100.0%**	365,903	100.0%	(13.6%)

Revenue by operating and reportable segments

	2019		2018		Increase/ (decrease) of revenue (approximate %)
	Revenue *RMB'000*	**% of total**	Revenue *RMB'000*	% of total	
Wigs	**110,954**	**35.1%**	145,223	39.7%	(23.6%)
Clothing and others	**205,110**	**64.9%**	220,680	60.3%	(7.1%)
Total	**316,064**	**100.0%**	365,903	100.0%	(13.6%)

Our revenue from both the CMS business and the OBM business decreased from RMB365.9 million for the year ended 31 December 2018 to RMB316.1 million for the year ended 31 December 2019, representing a decrease of 13.6%.

Even though our customers are diversified over 20 countries and regions which include the US, Germany, the UK and Australia, we still suffered a reduction in the revenue in 2019 due to (i) the continued migration of consumers to online shopping platforms; and (ii) significant reduction in the number, size and timing of orders for our products from our customers (who include wholesalers and retailers) as a result of the increased level of uncertainty on the macroeconomic outlook. Nevertheless, with our enhanced research and development capabilities over the past few years, we are able to offer our customers premium one-stop solution services at a higher unit sale price, which resulted to an increase in the gross profit margin from 21.0% for the year ended 31 December 2018 to 26.4% for the year ended 31 December 2019.

To further enhance our production efficiency and to foster the collaboration of companies of our upstream and downstream industries, we established a "Party Culture Industrial Park" (the "**Park**") in Yiwu, PRC in late 2019. The Park, together with our E-commence Operation Centre and our Service and Experience Centre (the "**Centre**") helped to integrate and co-ordinate with companies of our upstream and downstream industries. The aggregate gross floor area of the Park and the Centre is 50,579 square meters of which approximately 73.5% has been leased/sub-leased to companies in the relevant industries with the aim to integrate the design and development of cultural products, internet celebrity, creative design, research and development and supply chain of the whole industrial chain. Gross income from leasing of approximately RMB2,607,000 (including the lease of plant and machineries) were recognized during the year and included in 'other income' on the face of the consolidated statement of profit or loss and other comprehensive income.

Loss attributable to the equity holders of the Company increased from approximately RMB11.7 million for the year ended 31 December 2018 to approximately RMB72.2 million for the year ended 31 December 2019. Such increase in loss is primarily attributable to (i) the recognition of an impairment loss of RMB18.7 million on reclassification of the Centre as investment property (For details, please refer to the paragraphs entitled "Impairment loss on property, plant and equipment" and "Impairment loss on investment property"); (ii) the loss on fair value on financial asset at fair value through profit or loss ("**FVTPL**") of approximately RMB60.5 million, after taking into consideration (a) there has been an unexpected delay in obtaining funds from investors to carry out the Project which leads to a delay in the implementation of the development plan of the Project. (b) the Rights have not yet been assigned to FEN as pending the written approval from VMN; and (c) the CB Issuer has been in default in paying the interests under the CSG Convertible Bonds.

If excluded the impairment loss on properties, plant and equipment and investment properties, and fair value loss on FVTPL in aggregate amount of approximately RMB92.1 million, the Group's profit before income tax would be approximately RMB15.6 million, compared with the profit before income tax of approximately RMB11.4 million (excluded impairment loss on properties, plant and equipment of approximately RMB24.4 million and fair value loss on FVTPL of approximately RMB2.3 million) for the year ended 31 December 2018, represented an increase of 36.8%. Such increase in profit before income tax primarily attributable to the higher gross profit margin we achieved during the year.

FINANCIAL REVIEW

Revenue and Gross Profit

	2019		2018		
	Revenue	**Gross Profit margin**	Revenue	Gross Profit margin	Revenue % change
	RMB'000		*RMB'000*		
CMS business					
Cosplay costumes	**89,438**	**26.5%**	112,772	21.4%	(20.7%)
Cosplay wigs	**76,731**	**26.2%**	98,557	19.5%	(22.1%)
Sexy lingerie	**33,575**	**27.8%**	40,550	24.4%	(17.2%)
Others	**26**	**25.0%**	81	6.2%	(67.9%)
	199,770	**26.6%**	251,960	21.2%	(20.7%)
OBM business					
Cosplay costumes	**59,123**	**28.8%**	47,314	23.5%	25.0%
Cosplay wigs	**34,223**	**21.3%**	46,666	16.4%	(26.7%)
Sexy lingerie	**22,948**	**26.1%**	19,963	23.1%	(15.0%)
	116,294	**26.4%**	113,943	20.5%	2.1%
Total	**316,064**	**26.4%**	365,903	21.0%	(13.6%)

Revenue

CMS Business

During the year ended 31 December 2019, our revenue derived mainly from our CMS business, representing approximately 63.2% (2018: 68.9%) of the total revenue. Revenue derived from the CMS business decreased from approximately RMB252.0 million in 2018 to approximately RMB200.0 million in 2019, representing a decrease of approximately 20.7%. Such a decrease was mainly attributable to the drop in sales in several overseas markets such as Australia, Germany and US due to prevailing uncertainties of the global economic environment after the escalation of the China-US trade dispute and the continued migration of consumer to online shopping platforms.

OBM Business

The revenue derived from our OBM business slightly increased from approximately RMB113.9 million in 2018 to approximately RMB116.3 million in 2019, representing an increase of approximately 2.1%. Such increase was mainly attributable to the drop in the demand in our OBM cosplay wigs and the OBM sexy lingerie in certain overseas markets, offset by an increase in the demand in our OBM cosplay costumes.

Leasing Business

As mentioned earlier in this announcement, we have established a Party Culture Industrial Park in Yiwu, PRC in late 2019 where also our Centre locate. We have leased some factory premises which are near the Centre with an aggregate gross floor area of approximately 29,000 square meters for a period of 2 years, and subsequently sub-leased the factory premises to companies in the relevant industries with the aim to integrate the design and development of cultural products, internet celebrity, creative design, research and development and supply chain of the whole industrial chain. Gross income from leasing (including the rental income from leasing of plant and machinery) of approximately RMB2,607,000 were recognized during the year and included in 'other income' on the face of the consolidated statement of profit or loss and other comprehensive income.

Gross profit margin

Our gross profit margin increased from approximately 21.0% in 2018 to approximately 26.4% in 2019. The production costs of the industry have continued to increase, particularly in the inflationary wage costs and raw materials prices which have negative effects on the profitability of our group. Nevertheless, with our enhanced research and development capabilities invested over the past few years, we are able to offer to our customers premium one-stop solutions service at a higher unit sale price, which leads to increased in gross profit 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 decreased by approximately RMB3.9 million, from approximately RMB9.2 million in 2018 to approximately RMB5.3 million in 2019. The decrease was primarily due to (i) no interest income has been recognised on financial assets at FVTPL for the year as the interest has been in default (Please refer to the paragraph entitled "Investment Review" for details) and (ii) the decrease in recognition of government grant during the year.

Selling expenses

Our selling expenses decreased by approximately RMB2.1 million, from approximately RMB10.3 million in 2018 to approximately RMB8.2 million in 2019. The decrease was primarily due to the decrease in transportation expense of approximately RMB1 million and staff costs of approximately RMB0.5 million.

Administrative and other operating expenses

Our administrative and other operating expenses slightly decreased by approximately RMB0.8 million, from approximately RMB58.9 million in 2018 to approximately RMB58.1 million in 2019. The decrease was primarily due to a decrease in staff costs of approximately RMB0.6 million.

Impairment loss on property, plant and equipment

As mentioned earlier in this announcement, after we established the Park in Yiwu, PRC in late 2019, we have leased/sub-leased some factory premises to third parties, thus these factory premises were being reclassified as investment properties and grouped under "Leasing Business". The management had reviewed the value of the remaining properties, plant and equipment based on the recoverable amounts of the respective cash-generating units. As a result of the continuous drop in turnover and the fact that the recoverable amount was below the carrying value of these properties and plant and equipment, a net impairment loss of approximately RMB12.9 million was recognized during the year.

Impairment loss on investment property

As mentioned earlier in this announcement, we have leased/sub-leased to third parties some factory premises during the year, thus these factory premises were being reclassified as investment property at cost model. Impairment loss of approximately RMB18.7 million was recognized during the year.

Finance costs

Our finance costs increased by approximately RMB1.5 million, from approximately RMB5.2 million in 2018 to approximately RMB6.7 million in 2019. The increase was primarily due to the higher average loan balance in 2019 and the increase in interest expense on bank and other short term borrowings of approximately RMB1.9 million.

Income tax

Our income tax credit increased by approximately RMB0.8 million, from approximately RMB3.5 million in 2018 to approximately RMB4.3 million in 2019. The increase in tax credit was primarily due to the recognition of deferred tax of approximately RMB7.5 million on impairment loss on assets during the year.

Financial resources and liquidity and capital structure

As at 31 December 2019, the total amount of bank balances and cash of the Group was approximately RMB78.8 million, an increase of approximately RMB3.3 million compared with that as at 31 December 2018. The increase arose mainly from the increase in borrowings of approximately RMB26.2 million.

The borrowings of the Group represented bank and other short term borrowings of approximately RMB94.7 million.

As at 31 December 2019, the current ratio and the gearing ratio were 106.8% and 23.2% respectively, represented a decrease and an increase of 24.5% and 9.1% respectively when compared with those as at 31 December 2018. The decrease in the current ratio arose mainly from the capital expenditure of approximately RMB64.0 million in property, plant and equipment, investment properties and right of use assets. The increase in the gearing ratio was mainly due to the increase in short term borrowings of approximately RMB25.3 million.

Capital expenditure

During the year ended 31 December 2019, the Group invested approximately RMB64.0 million in the construction and decoration of two new factory buildings at our Yichun Production Plant and in the Research and Development, Service and Experience Centre at our Yiwu Production Plant.

For the new factory building at our Yichun Production Plant, the infrastructure construction and the related fire control work have 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 conservative 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 31 December 2019, our bank loans were secured by the Group's right-of-use assets, buildings and investment properties with carrying value of approximately RMB10.2 million, RMB129.6 million and RMB20.7 million respectively.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2019.

Foreign currency exposure

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

Human resources

As of 31 December 2019, we had approximately 914 employees (31 December 2018: 974). Total staff costs for the year amounted to approximately RMB77.5 million (2018: RMB91.1 million).

Remuneration policy

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

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.

INVESTMENT REVIEW

In March 2018, pursuant to a subscription agreement dated 23 February 2018 (the "**Subscription Agreement**"), Unlock Bound Investments Limited (the "**Subscriber**"), a subsidiary of the Company, subscribed for the convertible bond due 15 March 2022 in an aggregate principal amount of HK$70 million (the "**CSG Convertible Bonds**") issued by Charm Success Global Investment Limited (the "**CB Issuer**"). As disclosed in the announcement of the Company dated 23 February 2018 (the "**CB Announcement**"), Elite Global Group Limited ("**Elite Global**"), the holding company of the CB Issuer, had entered into a license agreement with Viacom Media Networks, a division of Viacom International Inc. ("**VMN**"), pursuant to which VMN had granted a right (the "**Rights**") 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 (the "**Project**"). According to the Subscription Agreement, the Issuer undertakes that the Rights will be novated or assigned by Elite Global Group to Foshan Elite Nickelodeon ("**FEN**"), a subsidiary of the CB Issuer, or a wholly owned subsidiary of the CB Issuer within three months from the date of the Subscription Agreement or such other period as agreed by the CB Issuer and the Subscriber in writing. On the other hand, a deed of guarantee was executed by Elite Global and Ms. Lam Suet Fan, the sole shareholder of Elite Global, as the guarantors to secure due performance by the CB Issuer of the obligations under the CSG Convertible Bonds. For further details about the CSG Convertible Bonds, please refer to the CB Announcement.

To be best knowledge, information and belief of the Directors according to the representations of the CB Issuer, as at the date of this announcement, there has been an unexpected delay in obtaining funds from investors to carry out the Project which leads to a delay in the implementation of the development plan of the Project. Also, the Rights have not yet been assigned to FEN as pending the written approval from VMN. Moreover, the CB Issuer has been in default in paying the interests under the CSG Convertible Bonds. In view of the above, fair value loss on FVTPL of approximately RMB60.5 million was recorded during the financial period.

To be best knowledge, information and belief of the Directors according to the representations of the CB Issuer, as at the date of this announcement, the CB Issuer is in active negotiations with various investors for sources of fundings so as to reactivate the Project, and finalising such plan with VMN including but not limited to the background proof of the investors and revised Project timetable. The Company has been assessing the situation periodically and may take appropriate actions against the CB Issuer to protect the interest of the Company if necessary.

EVENTS AFTER THE END OF THE REPORTING PERIOD

The COVID-19 has spread globally in early 2020, which has adverse impacts on our business operations, and on the manufacturing industry and the world economy. Up to the date of this announcement, we are unable to estimate or quantify the adverse effect of the COVID-19 on our financial performance. The Group has adopted a series of cost control measures (such as negotiating with suppliers for more discount/more favourable terms) to minimize expenses. We will continue to monitor the effect of the COVID-19 on our business operation, assess and react actively to its impact on our financial position and our operating results.

PROSPECTUS

In January 2020, the China and US Government signed the Phase I trade deal which has the effect of reducing the uncertainties in Sino-America trade. Unfortunately, the business environment became uncertain on the outbreak of the COVID-19 in the PRC in early January 2020 and hits the manufacturing industry and our business operations. Many factories in the PRC only managed to resume work partially in mid-February. We expect the whole industry chain will take some time to resume full operation.

The aforesaid impact of the COVID-19 on the Group's business operations, which was beyond the control of the Group, may adversely affect the financial results of the Group for the six months ending 30 June 2020. The Board of Directors of the Company will continue to assess the impact of the COVID-19 on the Group's business operations and financial performance and closely monitor the Group's exposure to the risks and uncertainties in connection with the COVID-19.

To face the current complex business situation, we will endeavour to diversify our business and broaden our revenue stream by cooperation with other intellectual property right owners and the collaboration of companies of our upstream and downstream industries. We will also proceed to mergers and acquisitions, industrial integration and business expansion. The Group will continue to evaluate and identity 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 our business and revenue streams.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Monday, 15 June 2020 to Friday, 19 June 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 12 June 2020.

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 2019, 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 2019.

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 2019.

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. Zheng Jin Min (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 2019.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited ("**Grant Thornton**"), to the amounts set out in the Group's draft 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 2019 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 2019 annual report of the Company for the year ended 31 December 2019 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, 31 March 2020

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. Zheng Jin Min, Mr. Chen Wen Hua and Ms. Peng Xu.