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China Partytime Culture Holdings Limited

中國派對文化控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1532)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020, together with the comparative figures for the year ended 31 December 2019, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	2020 RMB'000	2019 RMB'000
Revenue	5	255,252	316,064
Costs of sales		(190,968)	(232,663)
Gross profit		64,284	83,401
Other income	6	14,368	5,254
Selling expenses		(5,574)	(8,198)
Impairment loss on property, plant and equipment, net		(55,377)	(12,913)
Impairment loss on investment properties		(20,000)	(18,671)
Fair value gain/(loss) on financial asset at fair value through profit or loss		3,913	(60,524)
Administrative and other operating expenses		(76,101)	(58,194)
Loss from operations		(74,487)	(69,845)
Finance costs	7	(6,704)	(6,699)
Loss before income tax	8	(81,191)	(76,544)
Income tax credit	9	12,754	4,339
Loss for the year		(68,437)	(72,205)

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
Other comprehensive income/(expenses):			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operation recognised		<u>282</u>	<u>(621)</u>
Other comprehensive income/(expenses) for the year, net of nil tax		<u>282</u>	<u>(621)</u>
Total comprehensive expenses for the year		<u>(68,155)</u>	<u>(72,826)</u>
Loss per share for loss attributable to equity holders of the Company			
	<i>10</i>	RMB (cents)	<i>RMB (cents)</i>
Basic		(7.62)	(8.04)
Diluted		<u>(7.62)</u>	<u>(8.04)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Trademark	<i>16</i>	—	63
Right-of-use assets	<i>12</i>	9,258	10,997
Investment properties	<i>13</i>	58,915	20,754
Property, plant and equipment	<i>14</i>	217,707	362,865
Net investment in leases	<i>15</i>	6,779	—
Financial asset at fair value through profit or loss	<i>19</i>	5,557	1,969
Deferred tax assets		26,172	13,393
		324,388	410,041
Current assets			
Inventories	<i>17</i>	14,119	24,271
Trade and other receivables	<i>18</i>	67,639	41,349
Net investment in leases	<i>15</i>	2,996	4,976
Tax recoverable		2,062	1,801
Bank balances and cash		48,908	78,761
		135,724	151,158
Current liabilities			
Trade and other payables	<i>20</i>	19,289	44,112
Contract liabilities	<i>21</i>	170	—
Lease liabilities		2,190	2,707
Short term borrowings		81,429	94,697
		103,078	141,516
Net current assets		32,646	9,642
Total assets less current liabilities		357,034	419,683
Non-current liabilities			
Lease liabilities		5,506	—
Net assets		351,528	419,683
CAPITAL AND RESERVES			
Share capital		7,352	7,352
Reserves		344,176	412,331
Total equity		351,528	419,683

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

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. With effective from 16 December 2020, the address of its registered office has been changed from Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands to Windward 3, Regatta Office Park, 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 and leasing of factory premises.

As at 31 December 2020, 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

Amended HKFRSs that are effective for annual periods beginning on or after 1 January 2020

In the current year, the Group has applied for the first time the following 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 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

The adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

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 and related amendments ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁶
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁴
Amendments to HKFRS 16	Property, Plant and Equipment — Proceeds before Intended Use ³
Amendments to HKFRS 37	Onerous Contracts — Cost of Fulfilling a Contract ³
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018 — 2020 ³
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁴

- ¹ Effective for annual periods beginning on or after 1 June 2020.
- ² Effective for annual periods beginning on or after 1 January 2021.
- ³ Effective for annual periods beginning on or after 1 January 2022.
- ⁴ Effective for annual periods beginning on or after 1 January 2023.
- ⁵ Effective date to be determined.
- ⁶ Effective for business combination for which the acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

The directors anticipate that all of the new and amended HKFRSs will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the new and amended HKFRSs. These new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

4. Segment information

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the most senior executive management for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the most senior executive management are determined following the Group's major product and service 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 reportable 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 asset 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 2020			
	Wigs	Clothing	Leasing	Total
	<i>RMB'000</i>	<i>and others</i>	<i>of factory</i>	
		<i>RMB'000</i>	<i>premises</i>	<i>RMB'000</i>
			<i>RMB'000</i>	
Revenue from external customers	<u>75,548</u>	<u>179,704</u>	<u>—</u>	<u>255,252</u>
Segment results	(16,918)	9,819	(32,321)	(39,420)
Finance costs (excluded finance charges on lease liabilities)				(6,489)
Bank interest income				218
Loss on disposal of property, plant and equipment				(173)
Unallocated income				11,477
Unallocated expenses				<u>(46,804)</u>
Loss before income tax				(81,191)
Income tax credit				<u>12,754</u>
Loss for the year				<u>(68,437)</u>
Other segment items				
Depreciation and amortisation	9,985	16,627	9,595	36,207
Provision of impairment loss on property, plant and equipment	26,624	19,980	8,773	55,377
Impairment loss on investment properties	—	—	20,000	20,000
Capital expenditure	52	104	14,156	14,312
Expected credit losses ("ECL") allowance on trade receivables	54	472	—	526
ECL allowance on net investment in leases	<u>—</u>	<u>—</u>	<u>324</u>	<u>324</u>

Year ended 31 December 2019

	Wigs <i>RMB'000</i>	Clothing and others <i>RMB'000</i>	Leasing of factory premises <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers	<u>110,954</u>	<u>205,110</u>	<u>—</u>	<u>316,064</u>
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				<u>(97,726)</u>
Loss before income tax				(76,544)
Income tax credit				<u>4,339</u>
Loss for the year				<u><u>(72,205)</u></u>
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
ECL allowance on trade receivables	<u>70</u>	<u>100</u>	<u>—</u>	<u>170</u>

As at 31 December 2020					
	Wigs	Clothing	Leasing	Unallocated	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>of factory</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>and others</i>	<i>premises</i>		
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment assets	<u>66,647</u>	<u>202,583</u>	<u>94,461</u>	<u>96,421</u>	<u>460,112</u>
Reportable segment liabilities	<u>4,766</u>	<u>7,943</u>	<u>9,433</u>	<u>86,442</u>	<u>108,584</u>
As at 31 December 2019					
	Wigs	Clothing	Leasing	Unallocated	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>of factory</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>and others</i>	<i>premises</i>		
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment assets	<u>143,957</u>	<u>260,017</u>	<u>53,444</u>	<u>103,781</u>	<u>561,199</u>
Reportable segment liabilities	<u>9,270</u>	<u>14,133</u>	<u>5,227</u>	<u>112,886</u>	<u>141,516</u>

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.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
PRC (place of domicile)	13,819	18,518
United States ("US")	87,206	117,138
Germany	6,667	8,302
United Kingdom ("UK")	11,782	11,817
Australia	15,760	26,936
Holland	14,376	11,023
Japan	39,061	39,520
Brazil	10,791	15,015
Israel	7,857	17,308
South Korea	8,961	12,974
Greece	6,925	5,874
Others	32,047	31,639
	241,433	297,546
	255,252	316,064

The Group's non-current assets, other than net investment in leases, financial asset at 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 2020, RMB28,115,000 or 11% (2019: RMB38,096,000 or 12%) of the Group's revenue was derived from a single customer of the Group.

As at 31 December 2020, 18% (2019: 12%) 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.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Wigs	75,548	110,954
Clothing and others	179,704	205,110
	<u>255,252</u>	<u>316,064</u>

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 and service lines are as follow:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Contract Manufacturing Services ("CMS") business		
Cosplay costumes	58,202	89,438
Cosplay wigs	57,332	76,731
Sexy lingerie	45,136	33,575
Others	6,738	26
	<u>167,408</u>	<u>199,770</u>
Original Brand Manufacturing ("OBM") business		
Cosplay costumes	49,184	59,123
Cosplay wigs	18,216	34,223
Sexy lingerie	19,256	22,948
Others	1,188	—
	<u>87,844</u>	<u>116,294</u>
	<u>255,252</u>	<u>316,064</u>

6. Other income

	2020 RMB'000	2019 RMB'000
Exchange gain, net	—	2,080
Bank interest income	218	269
Government grant (<i>note</i>)	3,100	259
Rental income from operating leases of plant and machineries		
— Lease payments that are fixed	1,645	1,609
Rental income from operating leases of investment properties		
— Lease payments that are fixed	2,650	516
Income relating to net investment in leases		
— Finance lease income	1,129	482
Subcontracting income	1,019	—
Utility income	1,795	—
Gain on recognition of net investment in leases	2,807	—
Others	5	39
	<u>14,368</u>	<u>5,254</u>

Note: The Group was entitled to receive (1) a subsidy from the local government authorities for export sales business conducted in Yichun Development Zone; (2) specific funds in the Yichun Development Zone; and (3) employment support subsidy from the Government of the Hong Kong Special Administrative Region and local authorities in Yichun and Yiwu.

7. Finance costs

	2020 RMB'000	2019 RMB'000
Interest on bank and other short term borrowings	6,489	6,635
Finance charges on lease liabilities	215	64
	<u>6,704</u>	<u>6,699</u>

8. Loss before income tax

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Auditors' remuneration	983	1,233
Cost of inventories recognised as an expense	142,004	172,967
Depreciation		
— Property, plant and equipment	33,828	24,715
— Investment properties	1,665	583
— Right-of-use assets	651	473
Amortisation of trademark	63	93
Loss on disposal of interest in a joint venture	—	2
Loss on disposal of property, plant and equipment	173	277
Impairment loss on property, plant and equipment, net	55,377	12,913
Impairment loss on investment properties	20,000	18,671
Short term lease/lease with lease term shorter than 12 months as at 1 January 2019	75	255
Income relating to net investment in leases	(1,129)	(482)
Fair value (gain)/loss on financial asset at FVTPL	(3,913)	60,524
ECL allowance on trade receivables	526	170
ECL allowance on net investment in leases	324	—
Exchange loss/(gain), net	6,666	(2,080)
Research and development cost	18,639	18,160
Government grant	(3,100)	(259)
Staff costs		
— Salaries, allowances and other benefits	52,995	69,258
— Contributions to defined contribution retirement plans	2,983	8,218
	<u>55,978</u>	<u>77,476</u>

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 2020 (2019: nil).

The provision for PRC enterprise income tax has been provided at the applicable tax rate of 25% (2019: 25%) on the assessable profits of the PRC subsidiaries.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax		
Current year — PRC enterprise income tax	25	2,951
Deferred tax	<u>(12,779)</u>	<u>(7,290)</u>
Income tax credit	<u>(12,754)</u>	<u>(4,339)</u>

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%. From December 2020 onwards, Partytime Group Co., Ltd, Partytime Costume & Lingerie (Yiwu) Factory and Yiwu Styler Cultural & Creative Co., Ltd. were accredited as “High and New Technology Enterprise” in the PRC, 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 RMB68,437,000 (2019: RMB72,205,000) and the weighted average 897,723,000 ordinary shares in issue during the year ended 31 December 2020 and 2019.

No diluted loss per share has been presented for the year ended 31 December 2020 as there was no dilutive share outstanding during the year (2019: nil).

11. Dividends

No dividend was paid or proposed during 2020 nor has any dividend been proposed since the end of reporting period (2019: nil).

12. Right-of-use-assets

	Prepaid land lease payments <i>RMB'000</i>	Other properties leased for own use <i>RMB'000</i>	Total <i>RMB'000</i>
Carrying amount as at 1 January 2019	12,390	—	12,390
Addition	—	973	973
Depreciation	(286)	(187)	(473)
Transfer to investment properties	(1,893)	—	(1,893)
Carrying amount as at 31 December 2019	<u>10,211</u>	<u>786</u>	<u>10,997</u>
Carrying amount as at 1 January 2020	10,211	786	10,997
Depreciation	(239)	(412)	(651)
Transfer to investment properties	(714)	(374)	(1,088)
Carrying amount as at 31 December 2020	<u>9,258</u>	<u>—</u>	<u>9,258</u>

The right-of-use assets represent prepaid land lease payments in relation to the leasehold land is situated in the PRC and is held under a medium term lease.

As at 31 December 2020, the Group's right-of-use assets amounting to RMB6,922,000 (2019: RMB10,211,000) were pledged to secure bank loans.

13. Investment properties

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Investment properties	<u>58,915</u>	<u>20,754</u>

Changes to the carrying amounts presented in the consolidated statement of financial position can be summarised as follows:

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	20,754	—
Addition	10,893	4,868
Transferred from right-of-use assets	1,088	1,893
Transferred from property, plant and equipment	59,112	37,741
Depreciation	(1,665)	(583)
Transferred to net investment in leases	(11,267)	(4,494)
Impairment loss	(20,000)	(18,671)
	<u>58,915</u>	<u>20,754</u>
Carrying amount at 31 December	<u>58,915</u>	<u>20,754</u>
	2020 RMB'000	2019 RMB'000
Cost	99,460	39,634
Accumulated depreciation and impairment	(40,545)	(18,880)
	<u>58,915</u>	<u>20,754</u>
Carrying amount	<u>58,915</u>	<u>20,754</u>

At 31 December 2020, the fair value of the Group's investment properties, determined using income approach, which also representing the recoverable amounts of the leasing of factory premises CGU was RMB83,700,000(2019: RMB37,680,000). The fair value as at 31 December 2020 has been arrived based on a valuation carried by an independent professional qualified valuer Graval Consulting Limited. The impairment loss of RMB20,000,000 (2019: RMB18,671,000) was determined by comparing carrying amounts of the investment properties, together with the relevant leasehold improvement, to the above fair value as at 31 December 2020 and 2019.

The fair values of the Group's investment properties are categorised under Level 3 fair value hierarchy and determined using income approach which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties. When actual rent differs materially from the estimated rents, adjustments have been made to the estimated rental value.

The most significant inputs, all of which are unobservable, are the estimated rental value and the discount rate. The estimated rental value and discount rate are ranging from RMB12 to RMB15 (2019: RMB16) per square meter and from 6.0% to 6.5% (2019: 6.7%) as at year ended 31 December 2020 respectively. The estimated fair value increases if the estimated rental value increases or if discount rate (market yields) decline. The overall valuations are sensitive to all assumptions. Management considers the range of reasonably possible alternative assumptions is the greatest for rental values and that there is an interrelationship between these inputs.

As at 31 December 2020, bank loans are secured by investment properties with a carrying value of RMB24,430,000 (2019: RMB20,754,000).

14. Property, plant and equipment

	Buildings	Plant and	Motor	Furniture and	Leasehold	Construction	Total
	RMB'000	machineries	vehicles	equipment	improvement	in progress	RMB'000
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
As at 1 January 2019	242,368	35,537	3,434	4,938	51,030	131,336	468,643
Additions	—	1,901	261	477	6,112	49,445	58,196
Transfer	12,400	—	—	—	88,709	(101,109)	—
Transfer to investment properties	(44,555)	—	—	—	—	—	(44,555)
Disposals	—	(1,509)	(5)	(288)	(106)	—	(1,908)
As at 31 December 2019	<u>210,213</u>	<u>35,929</u>	<u>3,690</u>	<u>5,127</u>	<u>145,745</u>	<u>79,672</u>	<u>480,376</u>
As at 1 January 2020	210,213	35,929	3,690	5,127	145,745	79,672	480,376
Additions	—	—	157	—	202	3,060	3,419
Transfer	70,580	520	—	—	11,632	(82,732)	—
Transfer to investment properties	(59,380)	—	—	—	—	—	(59,380)
Disposals	—	(986)	—	(138)	—	—	(1,124)
As at 31 December 2020	<u>221,413</u>	<u>35,463</u>	<u>3,847</u>	<u>4,989</u>	<u>157,579</u>	<u>—</u>	<u>423,291</u>

	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
Accumulated depreciation and impairment							
As at 1 January 2019	41,585	12,317	2,578	3,011	27,929	—	87,420
Charge for the year	5,955	3,064	247	704	14,745	—	24,715
Transfer to investment properties	(6,814)	—	—	—	—	—	(6,814)
Written back on disposal	—	(352)	(5)	(278)	(88)	—	(723)
Reversal of impairment loss	(5,866)	—	(134)	—	—	—	(6,000)
Impairment loss	—	428	—	196	18,289	—	18,913
As at 31 December 2019	<u>34,860</u>	<u>15,457</u>	<u>2,686</u>	<u>3,633</u>	<u>60,875</u>	<u>—</u>	<u>117,511</u>
As at 1 January 2020	34,860	15,457	2,686	3,633	60,875	—	117,511
Charge for the year	5,164	3,015	330	531	24,788	—	33,828
Transfer to investment properties	(268)	—	—	—	—	—	(268)
Written back on disposal	—	(735)	—	(129)	—	—	(864)
Impairment loss	36,279	1,676	201	198	17,023	—	55,377
As at 31 December 2020	<u>76,035</u>	<u>19,413</u>	<u>3,217</u>	<u>4,233</u>	<u>102,686</u>	<u>—</u>	<u>205,584</u>
Net book amount							
As at 31 December 2020	<u>145,378</u>	<u>16,050</u>	<u>630</u>	<u>756</u>	<u>54,893</u>	<u>—</u>	<u>217,707</u>
As at 31 December 2019	<u>175,353</u>	<u>20,472</u>	<u>1,004</u>	<u>1,494</u>	<u>84,870</u>	<u>79,672</u>	<u>362,865</u>

As at 31 December 2020, the Group's buildings amounting to RMB93,890,000 (2019: RMB129,638,000) were pledged to the banks to secure the bank loans granted to the Group.

15. Net investment in leases

The maturity analysis of the undiscounted lease payments receivables from finance leases are as follows:

	2020 RMB'000	2019 <i>RMB'000</i>
Gross investment in leases		
— Within one year	3,444	5,970
— After first year but within second years	3,552	—
— After second year but within third years	3,665	—
	10,661	5,970
Less: Unearned finance income	(886)	(994)
Net investment in leases	<u>9,775</u>	<u>4,976</u>
Present value of investment in leases		
— Within one year	2,996	4,976
— After first year but within second years	3,252	—
— After second year but within third years	3,527	—
	9,775	4,976
Less: portion due within one year included under current assets	(2,996)	(4,976)
Portion due after one year included under non-current assets	<u>6,779</u>	<u>—</u>
Net investment in leases represented:		
	2020 RMB'000	2019 <i>RMB'000</i>
Gross amount of net investment in leases	10,099	4,976
ECL allowance on net investment in leases	(324)	—
	<u>9,775</u>	<u>4,976</u>

The Group entered into one and two lease contracts for certain factory premises for an initial period of four years and two years for the year ended 31 December 2020 and 2019 respectively. In the current year, all leased factory premises are subleased to third parties for rental purposes (2019: portion of premises is for own use and remaining portion is subleased to third parties for rental purposes). The relevant lease liabilities at date of commencement was RMB10,893,000 (2019: RMB5,841,000). As at 31 December 2020, the subleases are under eight sublease arrangements (2019: three sublease arrangements).

As at 31 December 2020, the net investment in leases represent two sublease arrangements entered by the Group with the sub-lessees in respect of factory premises typically run for an initial period of four years (2019: three sublease arrangements typically run for an initial period of two years). The sub-leases do not include contingent rentals and variable lease payments. The subleases are entered with the same terms of the respective head leases and the gain from the recognition of the net investment in leases from the head leases is included in other income on the face of the consolidated statement of profit or loss and other comprehensive income.

16. Trademark

	Trademark RMB'000
Cost	
As at 1 January 2019, 31 December 2019 and 2020	500
Accumulated amortisation	
As at 1 January 2019	344
Charge for the year	93
As at 31 December 2019	437
As at 1 January 2020	437
Charge for the year	63
As at 31 December 2020	500
Net book amount	
As at 31 December 2020	—
As at 31 December 2019	63

The amortisation charge for the year is included in “administrative and other operating expenses” on the face of the consolidated statement of profit or loss and other comprehensive income.

17. Inventories

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Raw materials	12,748	17,908
Work in progress	961	512
Finished goods	410	5,851
	<u>14,119</u>	<u>24,271</u>

18. Trade and other receivables

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables		
— from third parties	62,807	31,376
Less: ECL allowance	(696)	(170)
	<u>62,111</u>	<u>31,206</u>
Deposits, prepayments and other receivables		
Prepayments	2,402	5,002
Other tax receivables	2,080	4,566
Deposits	1,004	498
Other receivables	42	77
	<u>5,528</u>	<u>10,143</u>
	<u>67,639</u>	<u>41,349</u>

The Group usually requires advance deposits from its customers. Before accepting any new customer, the Group applied 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 (2019: 45 to 60 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:

	2020 RMB'000	2019 RMB'000
0–30 days	9,272	24,685
31–60 days	7,752	4,837
61–90 days	7,781	564
91–365 days	37,306	1,120
	<u>62,111</u>	<u>31,206</u>

As at 31 December 2020, ECL allowance of RMB696,000 (2019: RMB170,000) was recognised.

The ECL rate for trade receivables as at 31 December 2020 and 2019 was determined as follows:

	2020	2019
0–30 days	1.29%	0.71%
31–60 days	1.93%	1.33%
61–90 days	2.98%	1.93%
91–365 days	4.64%	2.97%

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

	2020 RMB'000	2019 RMB'000
At 1 January	170	—
ECL allowance recognised during the year	<u>526</u>	<u>170</u>
At 31 December	<u>696</u>	<u>170</u>

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.

19. Financial asset at fair value through profit or loss

	2020 RMB'000	2019 RMB'000
Unlisted convertible bond	<u>5,557</u>	<u>1,969</u>

On 23 February 2018, Unlock Bound Investments Limited (“**Unlock Bound**”), a wholly-owned subsidiary of the Group, subscribed for a convertible bond with a principal of HK\$70,000,000 (equivalent to RMB56,693,000) (“**CSG Convertible Bond**”) with annual coupon of 6%, issued by Charm Success Global Investment Limited (“**CSG**”), an independent third party. CSG is an unlisted company incorporated in the British Virgin Islands with limited liability. The CSG Convertible Bond will mature on 15 March 2022. CSG and its subsidiaries are engaged in the development of tourism and tourism projects.

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 15 March 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 Bond in the enlarged share capital of CSG will be equal to the aggregate principal amount of the CSG Convertible Bond divided by the value of CSG and its subsidiaries to be agreed by the Unlock Bound and CSG. If the bonds have not been converted, they will be redeemed on maturity date at 110% of the outstanding principal amount of the CSG Convertible Bond plus accrued interest.

During the year ended 31 December 2020 and 2019, CSG failed to pay the annual coupon interest as stipulated in the subscription agreement and the CSG Convertible Bond becomes default. According to the representations of CSG, there has been an unexpected delay in the implementation of the development plan of the project due to (1) unexpected delay in obtaining funds from investors to carry out the project; and (2) the delay in assignment of theme park license from the holding company of CSG to CSG and its subsidiaries which was subject to licensor’s approval. In view of the above factors, the equity interest in the issuer on conversion is considered likely to be no commercial value.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Fair value at 1 January	1,969	62,263
Fair value gain/(loss)	3,913	(60,524)
Exchange adjustments	<u>(325)</u>	<u>230</u>
Fair value at 31 December	<u>5,557</u>	<u>1,969</u>

As the annual coupon interest was past due and defaulted, no interest income was recognised for the years ended 31 December 2020 and 2019.

20. Trade and other payables

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables		
— To third parties	<u>9,144</u>	<u>19,164</u>
Accrued charges and other payables		
— Salaries payables	3,395	4,239
— Other tax payables	717	756
— Other payables	<u>6,033</u>	<u>19,953</u>
	<u>10,145</u>	<u>24,948</u>
	<u>19,289</u>	<u>44,112</u>

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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0–30 days	<u>9,144</u>	<u>19,164</u>

21. Contract liabilities

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Contract liabilities arising from receiving deposits of manufacturing orders	<u>170</u>	<u>—</u>

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, Japan and Australia.

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

	2020		2019		Decrease of revenue
	Revenue <i>RMB'000</i>	% of total	Revenue <i>RMB'000</i>	% of total	(approximate %)
CMS business	167,408	65.6%	199,770	63.2%	(16.2%)
OBM business	87,844	34.4%	116,294	36.8%	(24.5%)
Total	<u>255,252</u>	<u>100.0%</u>	<u>316,064</u>	<u>100.0%</u>	(19.2%)

Revenue by operating and reportable segments

	2020		2019		Decrease of revenue
	Revenue <i>RMB'000</i>	% of total	Revenue <i>RMB'000</i>	% of total	(approximate %)
Wigs	75,548	29.6%	110,954	35.1%	(31.9%)
Clothing and others	179,704	70.4%	205,110	64.9%	(12.4%)
Total	<u>255,252</u>	<u>100.0%</u>	<u>316,064</u>	<u>100.0%</u>	(19.2%)

Our revenue from both the CMS business and the OBM business decreased from RMB316.1 million for the year ended 31 December 2019 to RMB255.3 million for the year ended 31 December 2020, representing a decrease of 19.2%.

Even though our customers are diversified over 20 countries and regions which include the US, Germany, the UK, Japan and Australia, we still suffered a reduction in the revenue in 2020 due to, among other things, the imposition of quarantine, lockdown and travel restrictions as a result of the outbreak of the COVID-19 in January 2020. The pandemic resulted in weak demand and lower sale price of our products in our major markets.

The gross profit margin decreased from 26.4% for the year ended 31 December 2019 to 25.2% for the year ended 31 December 2020 due to an increase in the production costs caused by the pandemic and the reduction of the sale price of our products during 2020.

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-commerce 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 83.3% (2019: 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. In September 2020, the Group further entered into a lease agreement for the Feifeng Road Premises with gross floor area of approximately 27,600 square meters, located near the Group’s existing Park (“**Feifeng Road Premises**”). The Feifeng Road Premises allows the Group to further expand the collaboration with the companies of the Group’s upstream and downstream industries. The Group had sub-leased the Feifeng Road Premises to the companies of the Group’s upstream and downstream industries.

For the new factory building at our Yichun Production Plant, in view of the uncertain foreign trade environment caused by the COVID-19, the Group had sub-leased part of the Yichun Production Plant to other local enterprises. Consequently, the Yichun Production Plant were being reclassified as investment properties at cost model. As at 31 December 2020, 35% of the gross floor areas were sub-leased. The Group is actively looking for tenant and the management believes that sub-leasing the Yichun Production Plant helps to utilise the assets of the Group.

Gross income from leasing of factory premises of approximately RMB5,424,000 (2019: 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 decreased from approximately RMB72.2 million for the year ended 31 December 2019 to approximately RMB68.4 million for the year ended 31 December 2020.

FINANCIAL REVIEW

Revenue and Gross Profit

	2020		2019		
	Revenue	Gross Profit	Revenue	Gross Profit	Revenue %
	RMB'000	margin	RMB'000	margin	change
CMS business					
Cosplay costumes	58,202	21.8%	89,438	26.5%	(34.9%)
Cosplay wigs	57,332	25.5%	76,731	26.2%	(25.3%)
Sexy lingerie	45,136	24.3%	33,575	27.8%	34.4%
Others	6,738	24.4%	26	25.0%	25,815.4%
	<u>167,408</u>	<u>23.8%</u>	<u>199,770</u>	<u>26.6%</u>	(16.2%)
OBM business					
Cosplay costumes	49,184	31.7%	59,123	28.8%	(16.8%)
Cosplay wigs	18,216	24.6%	34,223	21.3%	(46.8%)
Sexy lingerie	19,256	21.0%	22,948	26.1%	(16.1%)
Others	1,188	23.4%	—	—	NA
	<u>87,844</u>	<u>27.8%</u>	<u>116,294</u>	<u>26.4%</u>	(24.5%)
Total	<u><u>255,252</u></u>	<u><u>25.2%</u></u>	<u><u>316,064</u></u>	<u><u>26.4%</u></u>	(19.2%)

Revenue

CMS Business

During the year ended 31 December 2020, our revenue derived mainly from our CMS business, representing approximately 65.6% (2019: 63.2%) of the total revenue. Revenue derived from the CMS business decreased from approximately RMB199.8 million in 2019 to approximately RMB167.4 million in 2020, representing a decrease of approximately 16.2%. Such decrease was mainly attributable to the drop in the demand in our CMS cosplay costumes and wigs due to the outbreak of the COVID-19 which resulted in weak demand of these products, offset by an increase in the demand in our CMS sexy lingerie.

OBM Business

The revenue derived from our OBM business decreased from approximately RMB116.3 million in 2019 to approximately RMB87.8 million in 2020, representing a decrease of approximately 24.5%. Such decrease was mainly attributable to the drop in the demand in our OBM products due to the outbreak of the COVID-19 which resulted in weak demand and lower sale prices of our products and significantly affected the sales performance of the OBM business.

Leasing Business

We have established a Party Culture Industrial Park in Yiwu, PRC in late 2019 where our Centre also 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. In September 2020, the Group further entered into a lease agreement for the Feifeng Road Premises with gross floor area of approximately 27,600 square meters, located near the Park. This arrangement allows the Group to further enhance the collaboration with companies of the Group's upstream and downstream industries. The Group had sub-leased the Feifeng Road Premises to companies of the Group's upstream and downstream industries. The Group also had sub-leased part of the Yichun Production Plant to other local enterprises during the year in view of the uncertain foreign trade environment caused by the COVID-19. Gross income from leasing of factory premises (including the rental income from leasing of plant and machineries) of approximately RMB5,424,000 (2019: RMB2,607,000) were recognized during the year and included in 'other income' in the consolidated statement of profit or loss and other comprehensive income.

Gross profit margin

Our gross profit margin decreased from approximately 26.4% in 2019 to approximately 25.2% in 2020. The production costs (which included sourcing and transportation costs) of the industry have continued to increase, due to the imposition of quarantine, lockdown and travel restrictions after the outbreak of the COVID-19.

Cost of sales

The costs of sales decreased by approximately RMB41.7 million, from approximately RMB232.7 million in 2019 to approximately RMB191.0 million in 2020.

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 RMB9.1 million, from approximately RMB5.3 million in 2019 to approximately RMB14.4 million in 2020. The increase was primarily due to the receipt of Government grant of approximately RMB3.1 million, gain on recognition of net investment in leases of approximately RMB2.8 million and rental income from our leasing of factory premises and plant and machineries of approximately RMB5.4 million during the year.

Selling expenses

Our selling expenses decreased by approximately RMB2.6 million, from approximately RMB8.2 million in 2019 to approximately RMB5.6 million in 2020. The decrease was primarily due to the decrease in transportation expense of approximately RMB1.0 million and reduction of staff costs of approximately RMB0.8 million.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately RMB17.9 million, from approximately RMB58.2 million in 2019 to approximately RMB76.1 million in 2020. The increase was primarily due to an increase in exchange loss of approximately RMB8.7 million and depreciation of investment properties and property, plant and equipment of approximately RMB10.2 million.

Impairment loss on property, plant and equipment

During the year, impairment loss on property, plant and equipment of approximately RMB55.4 million (2019: RMB12.9 million) was recognised as a result of the continuous drop in the turnover which in turn reduced the recoverable amount of the property, plant and equipment.

Impairment loss on investment properties

We have leased/sub-leased to third parties some factory premises during the year, thus these factory premises were being reclassified as investment properties at cost model. Impairment loss of approximately RMB20.0 million (2019: RMB18.7 million) was recognized during the year as the fair value of the investment properties were below its carrying amounts.

Finance costs

Our finance costs maintained at approximately RMB6.7 million for both years. The finance costs mainly represent the interest expenses on bank and other short term borrowings.

Income tax

Our income tax credit increased by approximately RMB8.5 million, from approximately RMB4.3 million in 2019 to approximately RMB12.8 million in 2020. The increase in tax credit was primarily due to the recognition of deferred tax of approximately RMB12.7 million on impairment loss on assets during the year.

Financial resources and liquidity and capital structure

As at 31 December 2020, the total amount of bank balances and cash of the Group was approximately RMB48.9 million, a decrease of approximately RMB29.9 million compared with that as at 31 December 2019. The decrease arose mainly from the decrease in borrowings of approximately RMB13.3 million and capital expenditure of approximately RMB14.3 million during the year.

The borrowings of the Group represented bank and other short term borrowings of approximately RMB81.4 million.

As at 31 December 2020, the current ratio and the gearing ratio were 131.7% and 23.2% respectively. Current ratio is calculated based on total current assets divided by total current liabilities at the end of the financial year and gearing ratio is calculated based on total borrowings divided by total equity at the end of the financial year.

The Group's operations are financed principally by revenue generated from its business operation, available bank balances and cash as well as interest-bearing borrowings. The Board will continue to follow a prudent treasury policy in managing its bank balances and cash and maintain a strong and healthy liquidity position to ensure that the Group is well positioned to achieve its business objectives and strategies.

Capital expenditure

During the year ended 31 December 2020, the Group invested approximately RMB3.4 million in property, plant and equipment and approximately RMB10.9 million in investment properties.

Pledged of assets

As at 31 December 2020, our bank loans were secured by the Group's right-of-use assets, buildings and investment properties with carrying value of approximately RMB6.9 million, RMB93.9 million and RMB24.4 million respectively.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2020.

Foreign currency exposure

Our exposures to currency risk arose from sales to overseas markets, which are primarily denominated in USD and JPY. These are not our functional currencies to which these sales 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.

Events after the reporting date

On 15 March 2021, the Group and an independent third party entered into the sale and purchase agreement pursuant to which the Group agreed to sell and the independent third party agreed to purchase the CSG Convertible Bond for the cash consideration of HK\$10 million (equivalent to approximately RMB8.34 million). Details of the disposal of convertible bond were set out in the announcement of the Company dated 15 March 2021.

Human resources

As of 31 December 2020, we had approximately 556 employees (31 December 2019: 914), representing a decrease of 358 employees as compared with 31 December 2019, which was mainly attributable to the normal employee mobility and especially the quarantine, lockdown and travel restrictions after the outbreak of the COVID-19 increased the difficulty in recruitment of workers from other provinces. Total staff costs for the year amounted to approximately RMB56.0 million (2019: RMB77.5 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 periodically.

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, will be involved in deciding 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 convertible bonds due 15 March 2022 in an aggregate principal amount of HK\$70 million (the “**CSG Convertible Bond**”) 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 CB 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 the due performance by the CB Issuer of the obligations under the CSG Convertible Bond. For further details about the CSG Convertible Bond, please refer to the CB Announcement.

In view of (i) 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; (ii) the Rights have not yet been assigned to FEN as pending the written approval from VMN; and (iii) the CB Issuer has been in default in paying the interests under the CSG Convertible Bond, a fair value loss on FVTPL of approximately RMB60.5 million was recorded during the year ended 31 December 2019.

Fair value gain on FVTPL of approximately RMB3.9 million was recorded during the year ended 31 December 2020 based on a valuation carried by an independent professional qualified valuer Roma Appraisals Limited.

According to the representations of the CB Issuer, the default was caused by an unexpected delay in obtaining funds from investors to carry out the Project especially after the outbreak of the COVID-19 globally and the subsequent quarantine measures as well as the travel restrictions imposed by various countries had further restricted meeting with investors.

To the best knowledge, information and belief of the Directors and according to the representations of the CB Issuer, VMN had approved the investor's participation in the project and the revised project milestones. However, solid capital budget, financing commitment, project schedule for the design, development, construction and operation of the theme park are still pending to be submitted to and approved by VMN, and these would take further 14 to 20 months for finalization.

Having considered the continuing default of the Issuer and the chance of recovery of the principal amount and interests of the CSG Convertible Bond, the significant uncertainties from the post-COVID-19 business environment, especially COVID-19 has drastically changed the entire travel and tourism landscape which resulted in the expected low ebb for the next several years. On 15 March 2021, the Group and an independent third party entered into the sale and purchase agreement pursuant to which the Group agreed to sell and the independent third party agreed to purchase the CSG Convertible Bond for the cash consideration of HK\$10.0 million (equivalent to approximately RMB8.34 million), the Board is of the view that the disposal provides a chance to the Group to mitigate its loss in and exit from the investment in the CSG Convertible Bond. Further, the disposal can generate immediate available funds for the Group.

Despite the disposal, the Board will consider the costs and benefits, and does not preclude any possibility, of commencing legal actions against the CB Issuer and the relevant parties for the loss suffered by the Group as a result of the CB Issuer's default of its obligations under the CSG Convertible Bond.

PROSPECTS

The COVID-19 pandemic has caused severe disruption to economic activities worldwide and caused significant uncertainties in the current business environment. As the COVID-19 spread all over the world including our major markets in the US and the UK, the demand for our products is expected to be weak in the short run. Even with the expected effective vaccine to be launched in 2021, the recovery of the economy and the confidence of customers take time.

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 identify 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 2021 AGM, the register of members of the Company will be closed from Friday, 11 June 2021 to Friday, 18 June 2021, 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 Thursday, 10 June 2021.

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 2020, 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 for the period from 1 January 2020 to 9 October 2020 (date of resignation of 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. Following the resignation of Mr. Lin Xin Fu on 9 October 2020, Ms. Chen Sheng, a Non-executive Director of the Company, has been redesignated as an Executive Director and the Chairlady of the Board and Mr. Xu Chengwu, an Executive Director of the Company, has been appointed as the Chief Executive Officer of the Company with effect from 9 October 2020. Hence, the Company has fully complied with the CG Code for the period from 9 October 2020 up to the date of this announcement.

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 complied with the required standard set out in the Model Code throughout year ended 31 December 2020.

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 2020.

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 2020.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited (“**Grant Thornton**”), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Grant Thornton in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS AND 2020 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 2020 annual report of the Company for the year ended 31 December 2020 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
Chen Sheng
Chairlady

Hong Kong, 26 March 2021

As at the date of this announcement, the Board comprises (i) three Executive Directors, namely Ms. Chen Sheng, Mr. Ma Chi Kwan and Mr. Xu Chengwu; and (ii) three Independent Non-executive Directors, namely Mr. Zheng Jin Min, Mr. Chen Wen Hua and Ms. Peng Xu.