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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1532)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board (the "**Board**") of directors (the "**Directors**") of China Partytime Culture Holdings Limited 中國派對文化控股有限公司 (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*4, 5*	**254,270**	259,006
Costs of sales		**(186,742)**	(184,938)
Gross profit		**67,528**	74,068
Other income	*6*	**286**	1,340
Selling expenses		**(5,904)**	(6,816)
Administrative and other operating expenses		**(33,189)**	(21,586)
Profit from operations		**28,721**	47,006
Share of loss of a joint venture		**–**	(2)
Finance costs		**(1,458)**	(635)
Profit before income tax	*7*	**27,263**	46,369
Income tax expense	*8*	**(8,296)**	(13,083)
Profit for the period		**18,967**	33,286

	NOTES	Six months ended 30 June 2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Other comprehensive income/(expense):			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operation recognised		**533**	(104)
Other comprehensive income/(expense) for the period, net of nil tax		**533**	(104)
Total comprehensive income for the period		**19,500**	33,182
Profit for the period attributable to:			
Equity holders of the Company		**18,967**	33,286
Total comprehensive income attributable to:			
Equity holders of the Company		**19,500**	33,182
Earnings per share for profit attributable to equity holders of the Company		***RMB (cents)***	*RMB (cents)*
Basic	*10*	**2.51**	4.40
Diluted	*10*	**2.49**	4.36

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2017

	NOTES	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Trademark	*13*	**297**	344
Prepaid land lease payments	*11*	**12,536**	12,683
Property, plant and equipment	*12*	**389,002**	353,044
Interest in a joint venture		**2**	2
		401,837	366,073
Current assets			
Inventories	*14*	**51,378**	28,892
Trade and other receivables	*15*	**77,992**	78,247
Prepaid land lease payments	*11*	**293**	293
Bank balances and cash		**55,372**	81,604
		185,035	189,036
Current liabilities			
Trade and other payables	*16*	**64,215**	50,071
Short term borrowings		**53,000**	60,700
Convertible bonds		**16,663**	–
Income tax payable		**7,489**	1,584
		141,367	112,355

	NOTES	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Net current assets		**43,668**	76,681
Total assets less current liabilities		**445,505**	442,754
Non-current liability			
Convertible bonds	*17*	**–**	16,749
		–	16,749
Net assets		**445,505**	426,005
Capital and reserves			
Share capital		**6,209**	6,209
Reserves		**439,296**	419,796
Total equity		**445,505**	426,005

NOTES TO THE INTERIM FINANCIAL REPORT

for the Six months ended 30 June 2017

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange and Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The condensed consolidated interim financial information does not include all of the information required in annual financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2016.

The condensed consolidated interim financial information is unaudited, but has been reviewed by the Company's auditor, Grant Thornton Hong Kong Limited.

The condensed consolidated interim financial information is presented in thousands of units of Renminbi ("**RMB'000**"), except when otherwise indicated, which was approved for issue by the Board of Directors on 25 August 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 December 2016, except for the adoption of new accounting policies as a result of the adoption of the new and amended Hong Kong Financial Reporting Standard ("**HKFRSs**") as set out below:

(i) Adoption of new and amended HKFRSs

In addition to the adoption of the following amendments to HKFRSs that have become effective for accounting period beginning on 1 January 2017 and are relevant to the Group:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Loss

The Group has applied all the other amendments, which are mandatory for the financial year beginning 1 January 2017.

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

4. SEGMENT INFORMATION

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to the segment and to assess its performance. The Executive Directors of the Company, being the chief operating decision maker, have identified the Group's two product and service lines as operating segments.

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

Segment results represented operating results of each reportable segment without allocation of finance costs, interest income, unallocated other operating income, unallocated corporate expenses, and income tax expenses. All assets are allocated to reportable segments other than cash and cash equivalents and other corporate assets which are not directly attributable to the business activities of any reportable segments. All liabilities are allocated to reportable segments other than corporate liabilities which are not directly attributable to the business activities of any reportable segments.

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

	Six months ended 30 June 2017		
	Wigs	**Clothing and others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
	(unaudited)	**(unaudited)**	**(unaudited)**
Revenue from external customers	**109,642**	**144,628**	**254,270**
Segment results	**24,991**	**36,722**	**61,713**
Finance costs			**(1,458)**
Bank interest income			**94**
Unallocated income			**192**
Unallocated expenses			**(33,278)**
Profit before income tax			**27,263**
Income tax expense			**(8,296)**
Profit for the period			**18,967**
Other segment items			
Depreciation and amortisation	**1,705**	**6,716**	**8,421**
Capital expenditure	**126**	**44,059**	**44,185**

	Six months ended 30 June 2016		
	Wigs	Clothing and others	Total
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)
Revenue from external customers	106,970	152,036	259,006
Segment results	25,120	42,223	67,343
Finance costs			(635)
Bank interest income			229
Share of loss of a joint venture			(2)
Unallocated income			1,111
Unallocated expenses			(21,677)
Profit before income tax			46,369
Income tax expense			(13,083)
Profit for the period			33,286
Other segment items			
Depreciation and amortisation	2,580	1,810	4,390
Capital expenditure	563	33,893	34,456

	As at 30 June 2017			
	Wigs	**Clothing and others**	**Unallocated**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**
Reportable segment assets	**121,927**	**387,946**	**76,999**	**586,872**
Reportable segment liabilities	**21,822**	**36,816**	**82,729**	**141,367**

	As at 31 December 2016			
	Wigs	Clothing and others	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(audited)
Reportable segment assets	135,485	323,456	96,168	555,109
Reportable segment liabilities	17,869	29,528	81,707	129,104

5. REVENUE

The Group's principal activities are disclosed in note 1 to this condensed consolidated interim financial information. Revenue of the Group is the revenue from these activities.

6. OTHER INCOME

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Exchange gain	**–**	1,052
Interest income	**94**	229
Others	**192**	59
	286	1,340

7. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost of inventories recognised as an expense	**140,537**	129,683
Depreciation	**8,227**	4,193
Amortisation of prepaid land lease payments	**147**	150
Amortisation of trademark	**47**	47
Operating lease charges in respect of land and buildings	**265**	255
Exchange loss/(gain)	**1,316**	(1,052)
Research and development cost	**16,727**	8,759
Staff costs		
– Salaries, allowances and other benefits	**44,218**	48,299
– Contributions to defined contribution retirement plans	**7,344**	5,266
	51,562	53,565

8. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2017 and 2016.

The provision for PRC enterprise income tax has been provided at the applicable tax rate of 25% (2016: 25%) on the assessable profits of the PRC subsidiaries.

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax – PRC enterprise income tax		
Current period	**8,296**	13,083
	8,296	13,083

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: nil).

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of RMB18,967,000 (2016: RMB33,286,000) and the weighted average number of ordinary shares of 756,234,000 in issue during the period (2016: 756,234,000).

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to equity holders of the Company for the purpose of basic earnings per share	**18,967**	33,286
Effect of dilutive potential ordinary shares		
Interest on convertible bonds	**767**	80
Earnings for the purpose of diluted earnings per share	**19,734**	33,366
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**756,234**	756,234
Effect of dilutive potential ordinary shares:		
– convertible bonds	**37,807**	9,242
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**794,041**	765,476

The calculation of the diluted earnings per share for the six months ended 30 June 2017 and 2016 is based on the profit attributable to equity holders of the Company, adjusted to reflect the interest of the convertible bonds issued by the Company during six months ended 30 June 2016. The weighted average number of ordinary shares used in the calculation of the diluted earnings per share for the six months ended 30 June 2017 and 2016 is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of the convertible bonds into ordinary shares for the period.

11. PREPAID LAND LEASE PAYMENTS

	As at 30 June 2017	As at 31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Carrying amount at the beginning of the period/year	**12,976**	13,269
Amortised during the period/year	**(147)**	(293)
Carrying amount at the end of the period/year	**12,829**	12,976
Represented by:		
Non-current portion	**12,536**	12,683
Current portion	**293**	293
	12,829	12,976

The leasehold land is situated in the PRC and is held under a medium term lease.

As at 30 June 2017, the Group's prepaid land lease payments amounting to RMB12,829,000 (31 December 2016: RMB12,976,000) were pledged to secure bank borrowings granted to the Group.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machineries	Motor vehicles	Furniture and equipment	Leasehold improvement	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
As at 1 January 2017	147,473	19,962	3,098	4,441	43,846	161,050	379,870
Additions	5,071	7,044	92	416	2,280	29,282	44,185
Transfers	89,824	889	–	–	194	(90,907)	–
As at 30 June 2017 (unaudited)	**242,368**	**27,895**	**3,190**	**4,857**	**46,320**	**99,425**	**424,055**
Accumulated depreciation							
As at 1 January 2017	8,318	8,064	1,602	2,160	6,682	–	26,826
Charge for the period	2,335	1,077	196	269	4,350	–	8,227
As at 30 June 2017 (unaudited)	**10,653**	**9,141**	**1,798**	**2,429**	**11,032**	**–**	**35,053**
Net book amount							
As at 30 June 2017 (unaudited)	**231,715**	**18,754**	**1,392**	**2,428**	**35,288**	**99,425**	**389,002**
As at 31 December 2016 (audited)	139,155	11,898	1,496	2,281	37,164	161,050	353,044

As at 30 June 2017, the Group's buildings amounting to RMB203,243,000 (31 December 2016: RMB128,252,000) were pledged to the banks to secure the bank borrowings granted to the Group.

13. TRADEMARK

	Trademark
	RMB'000
Cost	
As at 1 January 2017 and 30 June 2017 (unaudited)	**500**
Accumulated amortisation	
As at 1 January 2017	156
Charge for the period	47
As at 30 June 2017 (unaudited)	**203**
Net book amount	
As at 30 June 2017 (unaudited)	**297**
As at 31 December 2016 (audited)	344

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

14. INVENTORIES

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Raw materials	**43,464**	18,728
Work in progress	**5,961**	1,473
Finished goods	**1,953**	8,691
	51,378	28,892

15. TRADE AND OTHER RECEIVABLES

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Trade receivables		
– from third parties	**51,716**	26,522
Deposits, prepayments and other receivables		
Prepayments	**1,382**	5,237
Prepayments for construction materials	**4,768**	34,621
Other tax receivables	**18,749**	8,527
Deposits	**264**	273
Other receivables	**1,113**	3,067
	26,276	51,725
	77,992	78,247

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 30 days. Overdue balances are reviewed regularly by senior management. Trade receivables are non interest-bearing.

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

	As at 30 June 2017 *RMB'000* **(unaudited)**	As at 31 December 2016 *RMB'000* (audited)
0-30 days	**51,687**	24,404
31-60 days	**–**	2,013
61-90 days	**29**	–
91-365 days	**–**	105
	51,716	26,522

As at 30 June 2017, no trade receivables were individually determined to be impaired (31 December 2016: nil).

16. TRADE AND OTHER PAYABLES

	As at 30 June 2017 *RMB'000* **(unaudited)**	As at 31 December 2016 *RMB'000* (audited)
Trade and bills payables		
– to third parties	**49,472**	36,377
Accrued charges and other payables		
– Deposits from customers	**1,315**	467
– Salaries payables	**7,850**	10,553
– Interest payable	**–**	358
– Other tax payables	**1,994**	998
– Other payables	**3,584**	1,318
	14,743	13,694
	64,215	50,071

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

	As at 30 June 2017 *RMB'000* **(unaudited)**	As at 31 December 2016 *RMB'000* (audited)
0-30 days	**49,472**	36,377

17. CONVERTIBLE BONDS

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

The liability component and equity conversion component upon issuance are as follows:

	RMB'000
Face value of convertible bonds issued on 18 May 2016	**17,130**
Transaction costs	**(343)**
Equity component credited to the equity	**(1,240)**
Liability component	**15,547**

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

	As at 30 June 2017	As at 31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Liability component		
Carrying amount at the beginning of the period/year	**17,107**	–
Issued during the period/year	**–**	15,547
Effective interest charges	**767**	916
Interest paid	**(712)**	(81)
Exchange adjustments	**(499)**	725
Carrying amount at the end of the period/year	**16,663**	17,107
Liability component is represented by:		
Convertible bonds	**16,663**	16,749
Accrued interests included in trade and other payables	**–**	358
	16,663	17,107

No convertible bonds were converted to ordinary shares of the Company during the period or subsequent to 30 June 2017 and up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross profit margin

	Six months ended 30 June				
	2017		2016		
	Revenue	**Gross Profit margin**	Revenue	Gross Profit margin	Revenue % change
	RMB'000	*%*	*RMB'000*	*%*	
CMS business					
Cosplay costumes	**60,220**	**26.4%**	82,864	27.3%	(27.3%)
Cosplay wigs	**79,093**	**25.3%**	79,892	26.2%	(1.0%)
Sexy lingerie	**37,101**	**27.9%**	23,665	31.4%	56.8%
Others	**4,525**	**27.3%**	968	28.5%	367.5%
	180,939	**26.2%**	187,389	27.4%	
OBM business					
Cosplay costumes	**25,426**	**29.8%**	32,862	34.3%	(22.6%)
Cosplay wigs	**30,549**	**24.3%**	27,078	25.9%	12.8%
Sexy lingerie	**16,942**	**29.3%**	11,597	38.4%	46.1%
Others	**414**	**19.8%**	80	45.0%	417.5%
	73,331	**27.3%**	71,617	31.8%	
Total	**254,270**	**26.6%**	259,006	28.6%	

Revenue

During the six months ended 30 June 2017, 71.2% (2016: 72.3%) of our total revenue was mainly derived from our Contract Manufacturing Service ("**CMS**") business. Our revenue derived from the CMS business decreased from approximately RMB187.4 million to approximately RMB180.9 million, representing a decrease of approximately 3.4%. Such decrease was mainly due to the drop in certain markets' demand in cosplay costumes and offset by the increase in demand in sexy lingerie.

The revenue derived from our Original Brand Manufacturing ("**OBM**") business increased from approximately RMB71.6 million to approximately RMB73.3 million, representing an increase of approximately 2.4%. Such increase was mainly attributable to the increase in the revenue from the OBM sexy lingerie resulting from the continuous implementation of our strategy in expanding our OBM products under our own brand and offset by the decrease in demand for OBM cosplay costumes.

Gross profit margin

Our gross profit margin decreased from approximately 28.6% to approximately 26.6% during the period was mainly attributable to the increase in the cost of operation.

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 RMB1.0 million, from approximately RMB1.3 million to approximately RMB0.3 million. The decrease was primarily due to an decrease in exchange gain of approximately RMB1.1 million.

Selling expenses

Our selling expenses primarily consist of delivery expenses, staff costs and advertising and marketing expenses. Selling expenses represent approximately 2.3% and 2.6% of the revenue for the six months ended 30 June 2017and 2016, respectively.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately RMB11.6 million, from approximately RMB21.6 million to approximately RMB33.2 million. The increase was primarily due to an increase in research and development cost and depreciation of approximately RMB8.0 million and RMB4.0 million respectively.

Finance costs

Our finance costs increased by approximately RMB0.8 million, from approximately RMB0.6 million to approximately RMB1.4 million. The increase in finance costs was primarily due to the payment of interests on convertible bonds.

Income tax

Our income tax expense decreased by approximately RMB4.8 million, from approximately RMB13.1 million to approximately RMB8.3 million. Our effective tax rate maintained at 30.4% and 28.2% for both periods under review respectively.

Financial resources and liquidity

As at 30 June 2017, the total amount of cash and cash equivalent of the Group was approximately RMB55.4 million, a decrease of approximately RMB26.2 million compared with that as at 31 December 2016. The decrease was mainly arose from the decrease in net bank borrowings of approximately RMB7.7 million. As at 30 June 2017, the financial ratio of the Group were as follows:

	As at 30 June 2017	As at 31 December 2016
Current ratio [(1)]	**130.9%**	168.2%
Gearing ratio [(2)]	**15.6%**	18.2%

Notes:

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

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

Capital expenditure

During the six months ended 30 June 2017, the Group invested approximately RMB44.2 million in property, plant and equipment, which mainly consist of construction of the Research and Development Centre, the E-commerce Operation Centre and the Service and Experience Centre located in our Yiwu Production Plant.

Pledged of assets

As at 30 June 2017, the bank loans were secured by the Group's prepaid land lease payments with carrying value of approximately RMB12.8 million (31 December 2016: RMB13.0 million) and buildings with carrying value of approximately RMB203.2 million (31 December 2016: RMB128.3 million).

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2017 and 31 December 2016.

Foreign currency exposure

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

Use of proceed

The Company's shares were listed on the Stock Exchange on 16 October 2015 and raised a net proceeds from the IPO of approximately HK$158.7 million (equivalent to approximately RMB130.0 million). The net proceeds had been fully utilized during the year ended 31 December 2016 in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Convertible Bonds in the principal amount of HK$20,000,000 were issued on 18 May 2016. After deducting the legal cost and issue expenses, the net proceeds of HK$19,550,000 are intended to be used for future possible acquisition(s), future development and general working capital of the Group. As at 30 June 2017, a sum of HK$4,750,000 from the net proceeds has been assigned to the development of a joint venture engaged in the development of mobile games and gaming derivative products which include cosplay costumes and other entertainment products; and the remaining amounts totaling HK$14,800,000 have been fully used as general working capital of the Group during the six months ended 30 June 2017.

Employees and remuneration policy

As of 30 June 2017, we had approximately 1,721 employees. Total staff costs for the period amounted to approximately RMB51.6 million. The remuneration policy of the Group is reviewed regularly according to the relevant market practice, employee performance and the financial performance of the Group. There is no significant change in the Group's remuneration policies.

BUSINESS REVIEW

The Group is principally engaged in design, develop, produce, sell and market cosplay products (including cosplay costumes and cosplay wigs) and non-cosplay apparels including mainly sexy lingerie. Our products are principally for export sales to more than 30 countries and regions around the globe including mainly the US, Germany, the UK and Australia.

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

	Six months ended 30 June				
	2017		2016		Increase (decrease) of revenue (approximate %)
	Revenue RMB'000	***% of total***	*Revenue RMB'000*	*% of total*	
CMS business	**180,939**	**71.2%**	187,389	72.3%	(3.4%)
OBM business	**73,331**	**28.8%**	71,617	27.7%	2.4%
Total	**254,270**	**100.0%**	259,006	100.0%	(1.8%)

Revenue by operating and reportable segments

	Six months ended 30 June				
	2017		2016		Increase (decrease) of revenue (approximate %)
	Revenue RMB'000	***% of total***	*Revenue RMB'000*	*% of total*	
Wigs	**109,642**	**43.1%**	106,970	41.3%	2.5%
Clothing and others	**144,628**	**56.9%**	152,036	58.7%	(4.9%)
Total	**254,270**	**100.0%**	259,006	100.0%	(1.8%)

For the first half year of 2017, consumers' desire to consume was indirectly affected due to the lack of prominent roles in animation films in 2017 that would bring more market potential topic-wise and repeated creations for cosplay costumes consequently, there was a drop in the overall turnover of the Group in cosplay costumes.

Fortunately, there is a growing recognition by the OBM customers in our sexy lingerie under our own brands "Secret Temptations" and new customers from the CMS business which led to an increase in the overall turnover of the Group in sexy lingerie.

Profit attributable to the equity holders of the Company for the six months ended 30 June 2017 amounted to approximately RMB19.0 million, representing a 43.0% decrease compared with the corresponding period, mainly due to a decrease in the gross profit margin resulting from the increase in the cost of operation and the increase in research and development expenses for the enhancement of product variety and the development of patents and techniques for the PRC market.

BUSINESS PROSPECTS

Looking ahead, the global economic downside risk increased due to the Brexit, economic slowdown in China and the geopolitical tensions such as the slowing growth in emerging markets, the end of the quantitative easing program in the USA, and the instability in the Middle East and Eastern Europe. Individual market may suffer due to these reasons. Fortunately, our customers are diversified over 30 countries. As far as the management of the Group is aware, there is neither recent industry or regulatory changes nor unfavourable trends or developments which may have a material adverse impact on the Group's operations, business and financial performance.

Nevertheless, the Group will continue to focus on expanding the PRC domestic market by further strengthening our research and development on products to meet the needs of the PRC domestic customers, and look for the opportunities to cooperate with the owners of intellectual property right in different business. The Group will also look for new business opportunities from time to time to diversify its business.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2017.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiary purchased, redeemed or sold any of the Company's listed securities for the six months ended 30 June 2017.

CORPORATE GOVERNANCE

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

To the knowledge of the Board, the Company had fully complied with the relevant code provisions in the CG Code for the six months ended 30 June 2017 save for the deviation as explained below.

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The roles of the chairman and the chief executive officer of the Company are not separate and both are performed by Mr. Chen Sheng Bi (for the period from 1 January 2017 to 27 June 2017, the date of resignation of Mr. Chen as the chairman and chief executive officer of the Company) and Mr. Lin Xin Fu (for the period from 27 June 2017, the date of re-designation of Mr. Lin as the chairman and chief executive officer of the Company, to 30 June 2017). In view of the fact that Mr. Chen is the founder of our Group and has been operating and managing our Group since 2004 and Mr. Lin has joined our group since 2006, our Board believes that it is in the best interest of our Group to have Mr. Chen/Mr. Lin taking up both roles for effective management and business development. Therefore, our Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

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

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

REVIEW OF INTERIM RESULTS AND INTERIM REPORT

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

In addition, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017 have been reviewed by our independent auditor, Messrs. Grant Thornton Hong Kong Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

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

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.partytime.com.cn), and the interim report of the Company for the six months ended 30 June 2017 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the above websites in due course.

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

Hong Kong, 25 August 2017

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