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 2017

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 2017, together with the comparative figures for the year ended 31 December 2016, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Revenue	*5*	**466,371**	513,883
Costs of sales		**(356,862)**	(368,826)
Gross profit		**109,509**	145,057
Other income	*6*	**1,667**	3,564
Selling expenses		**(18,944)**	(13,978)
Administrative and other operating expenses		**(68,532)**	(53,659)
Profit from operations		**23,700**	80,984
Share of loss of a joint venture		**–**	(2)
Finance costs	*7*	**(4,107)**	(2,247)

	Notes	**2017** RMB'000	2016 RMB'000
Profit before income tax	*8*	**19,593**	78,735
Income tax expense	*9*	**(5,605)**	(22,053)
Profit for the year		**13,988**	56,682
Other comprehensive income/(expense):			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operation recognised		**1,312**	(710)
Other comprehensive income/(expense) for the year, net of nil tax		**1,312**	(710)
Total comprehensive income for the year		**15,300**	55,972
Earnings per share for profit attributable to equity holders of the Company	*10*	***RMB (cents)***	*RMB (cents)*
Basic		**1.85**	**7.50**
Diluted		**1.85**	**7.39**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2017** **_RMB'000_**	2016 *RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Trademark		**250**	344
Prepaid land lease payments		**12,390**	12,683
Property, plant and equipment		**386,230**	353,044
Interest in a joint venture		**2**	2
		398,872	366,073
Current assets			
Inventories		**24,750**	28,892
Trade and other receivables	*12*	**43,629**	78,247
Prepaid land lease payments		**293**	293
Income tax recoverable		**4,862**	–
Bank balances and cash		**69,206**	81,604
		142,740	189,036
Current liabilities			
Trade and other payables	*13*	**30,895**	50,071
Short term borrowings		**53,000**	60,700
Income tax payable		**–**	1,584
Convertible bonds	*14*	**16,412**	–
		100,307	112,355
Net current assets		**42,433**	76,681
Total assets less current liabilities		**441,305**	442,754
Non-current liability			
Convertible bonds	*14*	**–**	16,749
		–	16,749
Net assets		**441,305**	426,005
CAPITAL AND RESERVES			
Share capital		**6,209**	6,209
Reserves		**435,096**	419,796
Total equity		**441,305**	426,005

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. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is No. 3 Chunchao Road, Yichun Economic & Technological Development Zone ("**Yichun Development Zone**"), Jiangxi Province, the People's Republic of China ("**PRC**").

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

As at 31 December 2017, the Directors consider the ultimate controlling shareholders of the Company to be Mr. Chen Sheng Bi and his brother, Mr. Chen Sheng Guan, through their respective wholly-owned companies, Master Professional Holdings Limited and Summit Quest Holdings Limited, both 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.

3. Adoption of new and amended HKFRSs

New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2017

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 consolidated financial statements and effective for the annual period beginning on 1 January 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealized Losses
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle	Disclosure of Interests in Other Entities

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

Amendments to HKAS 7 "Disclosure Initiative"

The amendments require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle "Disclosure of Interests in Other Entities"

The amendments to HKFRS 12 clarify the scope of HKFRS 12 by specifying that its disclosure requirements (except for the summarised financial information for an interests in a subsidiary, a joint venture or an associate which is classified as held for sale in accordance with HKFRS 5) apply to an entity's interests irrespective of whether they are classified (or included in a disposal group that is classified) as held for sale or as discontinued operations in accordance with HKFRS 5.

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 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[3]
HKFRS 17	Insurance Contracts[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Repayment Features with Negative Compensation[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[3]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[3]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Considersation[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatment[3]

[1] *Effective for annual periods beginning on or after 1 January 2018.*

[2] *Effective date to be determined.*

[3] *Effective for annual periods beginning on or after 1 January 2019.*

[4] *Effective for annual periods beginning on or after 1 January 2021.*

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

HKFRS 9 "Financial instruments"

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for the impairment of financial assets.

HKFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the application of HKFRS 9 in the future will not have a material impact on the classification and measurement of the Group's financial assets and liabilities.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. HKFRS 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

1. Identify the contract(s) with customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. More prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

HKFRS 15 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2018 and the application of HKFRS 15 may result in more disclosures, however, it is not expected to have significant impact on amounts reported in the consolidated financial statements based on the assessment on the existing contracts with customers after taking into account the above core principle.

HKFRS 16 "Leases"

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

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

HKFRS 16 will primarily affect the Group’s accounting as a lessee of leases of land and buildings and other assets which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As at 31 December 2017, the Group’s future minimum lease payments under non-cancellable operating leases amount to RMB408,000 for land and buildings, the majority of which is payable within one year. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

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

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB408,000 as disclosed in note 28 to the financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these lease unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosures as indicated above.

4. Segment information

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

The Group has identified the following reportable segments:

(a) Wigs; and

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

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

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

Segment results represented operating results of each reportable segment without allocation of finance costs, interest income, unallocated other operating income, unallocated corporate expenses, and income tax expense. All assets are allocated to reportable segments other than bank balances and cash 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 2017		
	Wigs	**Clothing and others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Revenue from external customers	**200,656**	**265,715**	**466,371**
Segment results	**34,899**	**55,666**	**90,565**
Finance costs			**(4,107)**
Bank interest income			**211**
Loss on disposal of property, plant and equipment			**(167)**
Unallocated income			**1,456**
Unallocated expenses			**(68,365)**
Profit before income tax			**19,593**
Income tax expense			**(5,605)**
Profit for the year			**13,988**
Other segment items			
Depreciation and amortisation	**3,552**	**14,858**	**18,410**
Capital expenditure	**1,139**	**50,237**	**51,376**

	Year ended 31 December 2016		
		Clothing	
	Wigs	and others	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue from external customers	221,826	292,057	513,883
Segment results	49,187	81,892	131,079
Finance costs			(2,247)
Bank interest income			502
Loss on disposal of property, plant and equipment			(27)
Share of loss of a joint venture			(2)
Unallocated income			3,062
Unallocated expenses			(53,632)
Profit before income tax			78,735
Income tax expense			(22,053)
Profit for the year			56,682
Other segment items			
Depreciation and amortisation	3,543	6,502	10,045
Capital expenditure	23,903	120,588	144,491

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

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

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.

	2017	2016
	RMB'000	*RMB'000*
PRC (place of domicile)	**9,519**	16,912
United States ("**US**")	**174,448**	203,256
Germany	**33,585**	32,771
United Kingdom ("**UK**")	**30,625**	40,878
Australia	**61,732**	50,247
Holland	**7,238**	20,795
Japan	**39,280**	33,992
Brazil	**16,958**	24,577
Israel	**32,779**	31,509
Other	**60,207**	58,946
	456,852	496,971
	466,371	513,883

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

Information about major customers

No customers contribute over 10% of revenue to the Group during the year ended 31 December 2017 (2016: nil).

5. Revenue

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

6. Other income

	2017	2016
	RMB'000	*RMB'000*
Exchange gain	**–**	2,447
Interest income	**211**	502
Government grant *(note)*	**716**	580
Rental income	**577**	–
Others	**163**	35
	1,667	3,564

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

7. Finance costs

	2017	2016
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**3,113**	2,632
Interest on convertible bonds	**1,536**	916
Total borrowing cost	**4,649**	3,548
Less: amounts capitalised into construction in progress	**(542)**	(1,301)
	4,107	2,247

* *The borrowing cost have been capitalised at a weighted average rate of 4.79% per annual (2016: 5.46%).*

8. Profit before income tax

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

	2017	2016
	RMB'000	*RMB'000*
Auditors' remuneration	**1,046**	1,141
Cost of inventories recognised as an expense	**268,303**	254,951
Depreciation	**18,023**	9,658
Amortisation of prepaid land lease payments	**293**	293
Amortisation of trademark	**94**	94
Loss on disposal of property, plant and equipment	**167**	27
Operating lease charges in respect of land and buildings	**350**	516
Exchange loss/(gain)	**3,424**	(2,447)
Research and development cost	**28,076**	24,502
Government grant	**(716)**	(580)
Staff costs		
Salaries, allowances and other benefits	**100,098**	101,255
Contributions to defined contribution retirement plans	**14,208**	14,015
	114,306	115,270

9. 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 year ended 31 December 2017 (2016: nil).

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.

	2017	2016
	RMB'000	*RMB'000*
Current tax – PRC enterprise income tax		
Current year	**5,605**	22,053

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

10. Earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the Company of RMB13,988,000 (2016: RMB56,682,000) and the weighted average 756,234,000 ordinary shares in issue during the year ended 31 December 2017 (2016: 756,234,000).

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to equity holders of the Company for the purpose of basic earnings per share	**13,988**	56,682
Effect of dilutive potential ordinary shares		
Interest on convertible bonds	**–**	916
Earnings for the purpose of diluted earnings per share	**13,988**	57,598
Number of shares	***'000***	*'000*
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	**–**	23,552
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**756,234**	779,786

For the year ended 31 December 2017, the computation of diluted earnings per share has not assumed the conversation of the Company's outstanding convertible bonds (note 14) to this Announcement since the conversation would result in an increase in earnings per share.

The calculation of the diluted earnings per share for the year ended 31 December 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 the year. The weighted average number of ordinary shares used in the calculation of the diluted earnings per share for the year ended 31 December 2016 is the number of ordinary shares in issue during the year, 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 year.

11. Dividends

No dividend was paid or proposed during 2017, nor has any dividend been proposed since the end of reporting period (2016: nil).

12. Trade and other receivables

	2017	2016
	RMB'000	*RMB'000*
Trade receivables		
– from third parties	**27,757**	26,522
Deposits, prepayments and other receivables		
Prepayments	**1,541**	5,237
Prepayment for property, plant and equipment	**8,050**	34,621
Other tax receivables	**5,063**	8,527
Deposits	**221**	273
Other receivables	**997**	3,067
	15,872	51,725
	43,629	78,247

The Directors consider that the fair values of trade and other receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception. The Group usually requires advance deposits from its customers. Before accepting any new customer, the Group 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:

	2017	2016
	RMB'000	*RMB'000*
0-30 days	**23,569**	24,404
31-60 days	**2,301**	2,013
61-90 days	**1,887**	–
91-365 days	**–**	105
	27,757	26,522

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

The ageing analysis of trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**23,569**	24,404
1-30 days past due	**2,301**	2,013
31-60 days past due	**1,887**	–
61-90 days past due	**–**	95
Over 90 days past due	**–**	10
	27,757	26,522

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

13. Trade and other payables

	2017	2016
	RMB'000	*RMB'000*
Trade payables		
– to third parties	**17,100**	36,377
Accrued charges and other payables		
– Deposits from customers	**322**	467
– Salaries payable	**5,498**	10,553
– Interest payable	**–**	358
– Other tax payables	**1,252**	998
– Other payables	**6,723**	1,318
	13,795	13,694
	30,895	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:

	2017	2016
	RMB'000	*RMB'000*
0-30 days	**17,100**	36,377

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

14. Convertible bonds

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

The 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 conversion component credited to the equity	(1,240)
Liability component	**15,547**

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

	2017	2016
	RMB'000	*RMB'000*
Liability component		
Carrying amount at the beginning of the year	17,107	–
Issued during the year	–	15,547
Accrued effective interest charges	1,536	916
Interests paid	(1,041)	(81)
Exchange adjustments	(1,190)	725
Carry amount carried forward	16,412	17,107
Liability components is represented by:		
Convertible bonds	16,412	16,749
Accrued interests included in trade and other payables	–	358
	16,412	**17,107**

No convertible bonds were converted to ordinary shares of the Company during the year or subsequent to 31 December 2017 and up to the date of this announcement.

The principal amount outstanding at 31 December 2017 is approximately RMB16,667,000 (2016: RMB17,855,000).

15. Event After The Reporting Date

On 14 February 2018, the Company entered into a placing agreement with a placing agent, pursuant to which the Company has conditionally agreed to place through the placing agent a maximum of 151,200,000 ordinary shares of HK$0.01 each at an issue price of HK$0.53. The placing of 141,890,000 ordinary shares have been issued on 13 March 2018 with net proceeds of approximately HK$72.5 million. Details have been set out in the Company's announcements dated 14 February 2018, 21 February 2018 and 13 March 2018.

On 23 February 2018, the Group entered into a subscription agreement to subscribe for redeemable convertible bonds with the principal amount of HK$70,000,000 issued by an independent third party, Charm Success Global Investment Limited. The subscription have been completed on 15 March 2018.

The bonds bear interest at rate of 6% per annum and with a maturity date of four years from the date of issue. Details of the bonds have been set out in the Company's announcements dated 23 February 2018, 2 March 2018 and 15 March 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Contract Manufacturing Service ("**CMS**") business and Original Brand Manufacturing ("**OBM**") business.

	2017		2016		Increase/ (decrease) of revenue
	Revenue	**% of total**	Revenue	% of total	(approximate
	RMB'000		*RMB'000*		%)
CMS business	**325,717**	**69.8%**	364,639	71.0%	(10.7%)
OBM business	**140,654**	**30.2%**	149,244	29.0%	(5.8%)
Total	**466,371**	**100.0%**	513,883	100.0%	(9.2%)

Revenue by operating and reportable segments

	2017		2016		Increase/ (decrease) of revenue
	Revenue	**% of total**	Revenue	% of total	(approximate
	RMB'000		*RMB'000*		%)
Wigs	**200,656**	**43.0%**	221,826	43.2%	(9.5%)
Clothing and others	**265,715**	**57.0%**	292,057	56.8%	(9.0%)
Total	**466,371**	**100.0%**	513,883	100.0%	(9.2%)

The global economy currently presents a mixed picture, with relatively strong growth in some areas counter-balanced by weak performance in others and below-target inflation in most advanced economies. Even our customers are diversified over 30 countries over the world, we still suffered a decrease in overall revenue from approximately RMB513.9 million to approximately RMB466.4 million.

Profit for the year attributable to the equity holders of the Company decreased from approximately RMB56.7 million to approximately RMB14.0 million. Such decrease is primarily attributable to (i) a decrease in turnover by approximately 9.2% for the year ended 31 December 2017 as compared to that for the year ended 31 December 2016; (ii) the increase in research and development expenses for the development of the PRC market, such as enhancement of the products variety and different patents and technique; and (iii) the increase in our production cost, particularly in the inflationary wage costs and raw materials prices which has negative effects for the profitability of our group.

FINANCIAL REVIEW

Revenue and Gross Profit

	2017		2016		
	Revenue	**Gross Profit margin**	Revenue	Gross Profit margin	Revenue % change
	RMB'000		*RMB'000*		
CMS business					
Cosplay costumes	**106,251**	**22.9%**	142,733	28.4%	(25.6%)
Cosplay wigs	**143,266**	**22.1%**	160,513	25.2%	(10.7%)
Sexy lingerie	**68,511**	**26.6%**	60,235	31.5%	13.7%
Others	**7,689**	**25.7%**	1,158	28.3%	564.0%
	325,717	**23.4%**	364,639	27.5%	(10.7%)
OBM business					
Cosplay costumes	**50,299**	**25.6%**	62,455	34.0%	(19.5%)
Cosplay wigs	**57,390**	**20.0%**	61,313	24.1%	(6.4%)
Sexy lingerie	**31,549**	**27.5%**	24,753	34.0%	27.5%
Others	**1,416**	**21.7%**	723	33.6%	95.9%
	140,654	**23.7%**	149,244	29.9%	(5.8%)
Total	**466,371**	**23.5%**	513,883	28.2%	(9.2%)

Revenue

During the year ended 31 December 2017, our revenue was mainly derived from our CMS business, representing approximately 69.8% (2016: 71.0%) of total revenue respectively. Our revenue derived from the CMS business decreased from approximately RMB364.6 million to approximately RMB325.7 million, representing a decrease of approximately 10.7%. Such decrease was mainly attributable to the drop in certain markets' demand in cosplay costumes and wigs and offset by the increase in demend in sexy lingerie.

The revenue derived from our OBM business decreased from approximately RMB149.2 million to approximately RMB140.7 million, representing an decrease of approximately 5.8%. Such decrease was mainly attributable to the drop in certain markets' demand in our OBM cosplay costumes and the OBM cosplay wigs, offset by the increase in demand in our OBM sexy lingerie.

Gross profit margin

Our gross profit margin decreased from approximately 28.2% to approximately 23.5%. The production costs of the industry have continued to increase, particularly in the inflationary wage costs and raw materials prices which has negative effects on the profitability of our group. Furthermore, the appreciation of the Renminbi against the US Dollar during the year further increased the operating pressure of our export business.

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 RMB1.9 million, from approximately RMB3.6 million to approximately RMB1.7 million. The decrease was primarily due to a decrease in exchange gain of approximately RMB2.4 million.

Selling expenses

Our selling expenses increased by approximately RMB5.0 million, from approximately RMB14.0 million to approximately RMB19.0 million. The increase was primarily due to an increase in transportation expense of approximately RMB2.0 million and advertising and marketing expense of approximately RMB4.5 million.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately RMB14.8 million, from approximately RMB53.7 million to approximately RMB68.5 million. The increase was primarily due to an increase in research and development cost of approximately RMB3.6 million; the operating expenses for our new testing lab of approximately RMB3.0 million; and the exchange loss of approximately RMB3.4 million.

Finance costs

Our finance costs increased by approximately RMB1.9 million, from approximately RMB2.2 million to approximately RMB4.1 million. The increase was primarily due to the interests paid for the convertible bonds and higher average loan balance in 2017.

Income tax

Our income tax expense decreased by approximately RMB16.5 million, from approximately RMB22.1 million to approximately RMB5.6 million. Our effective tax rate increased from 28.0% to 28.6% was primarily due to the decrease in tax non-deductible expenses such as, operating expenses incurred in the Hong Kong office.

Financial resources and liquidity and capital structure

As at 31 December 2017, the total amount of bank balances and cash of the Group was approximately RMB69.2 million, a decrease of approximately RMB12.4 million compared with that as at 31 December 2016. The decrease arose mainly from the payment of construction and decoration costs of the two new factory buildings at our Yichun Production Plant and the research and development, service and experience centre at our Yiwu Production Plant.

The borrowings of the Group represented bank borrowings of approximately RMB53 million, and convertible bonds with principal amount of approximately RMB16.7 million, with a fixed rate of interest of 4% per annum.

As at 31 December 2017, current ratio and gearing ratio was 142.3% and 15.7% respectively, represented a decrease of 25.9% and 2.5% compared with corresponding year respectively. The decrease in current ratio arose mainly from the capital expenditure of approximately RMB51.4 million in property, plant and equipment. The decrease in gearing ratio was mainly due to the decrease in borrowings of approximately RMB7.7 million.

Capital expenditure

During the year ended 31 December 2017, the Group invested approximately RMB51.4 million in the construction and decoration of two new factory buildings at our Yichun Production Plant and a Research and Development, Service and Experience Centre at our Yiwu Production Plant.

Pledged of assets

As at 31 December 2017, the bank loans were secured by the Group's prepaid lease payment and buildings with carrying value of approximately RMB12.7 million and RMB200.7 million respectively.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2017.

Foreign currency exposure

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

Event after the reporting date

On 13 March 2018, the Company issued 141,890,000 ordinary shares by way of placing at a price of HK$0.53 per share, and the net proceeds from the placing is approximately HK$72.5 million.

On 15 March 2018, the Company completed the subscription of the convertible bonds of HK$70 million issued by Charm Success Global Investment Limited.

Human resources

As of 31 December 2017, we had approximately 1,593 employees. Total staff costs for the year amounted to approximately RMB114.3 million.

Remuneration policy

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

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

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

USE OF PROCEED

Convertible Bonds in the principal amount of HK$20,000,000 were issued by the Company on 18 May 2016. After deducting the legal cost and issue expenses, the net proceeds of HK$19,550,000 are intended to be used for future possible acquisition(s), future development and general working capital of the Group. As at 31 December 2017, a sum of HK$4,750,000 from the net proceeds has been assigned to the development of a joint venture engaged in the development of mobile games and gaming derivative products which include cosplay costumes and other entertainment products; and the remaining amounts totaling HK$14,800,000 have been fully used as general working capital of the Group during the year ended 31 December 2017.

PROSPECTUS

The global economy currently presents a mixed picture, with relatively strong growth in some areas counter-balanced by weak performance in others and below-target inflation in most advanced economies. However, commercial investments and corporate expansion were constrained by the normalization of the US interest rate and the imminent shrinking of the US Federal Reserve's balance sheet, having the effect of the reversal of quantitative easing. As such, fund flow was mainly directed to financial investments and small and medium companies were short of funds in their operations and expansions.

In 2017, the Group faced challenges from the rising production cost, such as wages and raw materials costs, and also changing in customer demand and standards towards our products, which leads to the decline in turnover, and there was a decline in the revenue from approximately RMB513.9 million to approximating RMB466.4 million. The Company is of the view that it is necessary to optimize and adjust its's strategy such that the Group will look for other opportunities.

On 13 March 2018, we have completed the placing of new shares under the general mandate with net proceeds of approximately HK$72.5 million, the proceeds mainly used for the subscription of convertible bonds of HK$70.0 million issued by Charm Success Global Investment Limited ("Issuer"), which its holding company have entered into a license agreement with Viacom Media Networks, a division of the Viacom International Inc., ("VMN"), pursuant to which VMN granted to the Issuer's holding company a right to, among others, design, develop, construct, launch and operate and manage a theme park in the PRC as a Nickelodeon themed and branded theme park using the approved licensed property elements as defined in the license agreement.

Other than the above strategic investment in the above mentioned international intellectual property right holder, we will also proceed to mergers and acquisitions, industrial integration and business expansion as and when appropriate, seek for cooperation with other intellectual property right owners to engage in different business, strengthen the Group's capabilities and rapidly enhance our competitive and operation scale.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Monday, 4 June 2018 to Friday, 8 June 2018, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's transfer office and share registrar in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 1 June 2018.

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 2017, 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. 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 31 December 2017). In view of Mr. Chen is the founder of our Group and has been operating and managing our Group since 2004 and Mr. Lin 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.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors had compiled with the required standard set out in the Model Code throughout year ended 31 December 2017.

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 2017.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 7 August 2015 with written terms of reference in compliance with the CG code, and currently comprises three Independent Non-executive Directors, namely Mr. Leung Siu Hong (as chairman), Mr. Chen Wen Hua and Ms. Peng Xu. The primary duties of the Audit Committee are to review the financial reporting process and internal control and risk management systems of the Group. The Audit Committee has reviewed the Company's annual results for the year ended 31 December 2017.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2017 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 2017 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 2017 annual report of the Company for the year ended 31 December 2017 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 22 March 2018

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