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 2018

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 2018, together with the comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*4, 5*	**226,142**	254,270
Costs of sales		**(178,330)**	(186,742)
Gross profit		**47,812**	67,528
Other income	*6*	**2,798**	286
Selling expenses		**(5,951)**	(5,904)
Administrative and other operating expenses		**(28,721)**	(33,189)
Profit from operations		**15,938**	28,721
Finance costs		**(2,316)**	(1,458)
Profit before income tax	*7*	**13,622**	27,263
Income tax expense	*8*	**(3,210)**	(8,296)
Profit for the period		**10,412**	18,967

	NOTES	Six months ended 30 June **2018** **RMB'000** **(unaudited)**	2017 RMB'000 (unaudited)
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operation recognised		**2,434**	533
Other comprehensive income for the period, net of nil tax		**2,434**	533
Total comprehensive income for the period		**12,846**	19,500
Earnings per share for profit attributable to equity holders of the Company		***RMB (cents)***	*RMB (cents)*
Basic	*10*	**1.24**	2.51
Diluted	*10*	**1.24**	2.49

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2018

	NOTES	**30 June 2018** **RMB'000** **(unaudited)**	31 December 2017 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Trademark	*13*	**203**	250
Prepaid land lease payments	*11*	**12,243**	12,390
Property, plant and equipment	*12*	**391,401**	386,230
Interest in a joint venture		**2**	2
Financial assets at fair value through profit or loss	*16*	**60,400**	—
		464,249	398,872
Current assets			
Inventories	*14*	**14,387**	24,750
Trade and other receivables	*15*	**62,113**	43,629
Prepaid land lease payments	*11*	**293**	293
Tax recoverable		**2,148**	4,862
Bank balances and cash		**106,816**	69,206
		185,757	142,740
Current liabilities			
Trade and other payables	*17*	**69,968**	30,895
Short term borrowings		**66,882**	53,000
Income tax payable		**268**	—
Convertible bonds	*18*	**—**	16,412
		137,118	100,307
Net current assets		**48,639**	42,433
Total assets less current liabilities		**512,888**	441,305
CAPITAL AND RESERVES			
Share capital		**7,352**	6,209
Reserves		**505,536**	435,096
Total equity		**512,888**	441,305

NOTES TO THE INTERIM FINANCIAL REPORT

for the Six months ended 30 June 2018

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 2018 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 2017.

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

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 24 August 2018.

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 consolidated financial statements for the year ended 31 December 2017, except for the adoption of new accounting policies as a result of the adoption of the new and amended Hong Kong Financial Reporting Standards ("**HKFRSs**") as set out below:

(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 2018 and are relevant to the Group:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The Group has applied all the other amendments, which are mandatory for the financial year beginning 1 January 2018.

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies and disclosures as described below.

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.

3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

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, the Group 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.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group's contract liability included deposits from customer.

Revenue from the sale of goods for a fixed fee is recognised when (or as) the Group transfers control of the assets to the customer. For stand-alone sales of goods that are neither customised by the Group nor subject to significant integration services, control transfers at the point in time when the customer takes undisputed delivery of the goods.

There was no impact of transition to HKFRS15 on retained profits at 1 January 2018.

3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 "Financial Instruments" from 1st January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the interim financial information.

The adoption has not had a significant effect on the Group's accounting policies related to financial liabilities.

The impact of HKFRS 9 on the measurement of financial assets are set out below.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("**ECL**") rather than incurred credit losses as is the case under HKAS 39. The Group's trade and other receivables which are measured at amortised cost are subject to HKFRS 9's new expected credit loss model.

Under HKFRS 9, the Group was required to revise its impairment methodology for each of these classes of assets. The Group applies the HKFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables, contract assets and finance lease receivables. Impairment on other receivables is measured as either 12-month expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition.

The Group established expected credit loss model based on historical settlement records, past experience and available forward-looking information. The Group has concluded that the impact of ECL on financial assets is insignificant as at 1st January 2018.

The following describes the Group's updated accounting policy in relation to financial assets to reflect the adoption of HKFRS 9:

Classification of financial assets

The Group classifies its financial assets in the following measurement categories:

- debt instruments to be measured at amortised cost; and
- financial assets measured at fair value through profit or loss.

Measurements

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Impairment of financial assets

The Group assesses on a forward looking basis the ECL associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other receivables, the Group adopted a "three-stage" model for impairment based on changes in credit quality since initial recognition as summarised below:

- The receivables with low credit risk on initial recognition are classified in "Stage 1" and has its credit risk continuously monitored by the Group;
- If a significant increase in credit risk since initial recognition is identified, the receivables is moved to "Stage 2" but is not yet deemed to be credit impaired;
- If the receivables are credit-impaired, the financial instrument is then moved to "Stage 3".

Receivables in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Instruments in Stage 2 or 3 have their ECL measured based on ECL on a lifetime basis.

Measurement of ECLs

When estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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 makers 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 makers, have identified the Group's two product and service lines as operating segments.

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

Segment results represented operating results of each reportable segment without allocation of finance costs, interest income, unallocated other operating income, unallocated corporate expenses, and income tax expenses. All assets are allocated to reportable segments other than cash and cash equivalents 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 2018		
	Wigs	**Clothing and others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
	(unaudited)	**(unaudited)**	**(unaudited)**
Revenue from external customers	**91,545**	**134,597**	**226,142**
Segment results	**17,237**	**24,624**	**41,861**
Finance costs			**(2,316)**
Bank interest income			**123**
Unallocated income			**2,675**
Unallocated expenses			**(28,721)**
Profit before income tax			**13,622**
Income tax expense			**(3,210)**
Profit for the period			**10,412**
Other segment items			
Depreciation and amortisation	**1,928**	**8,613**	**10,541**
Capital expenditure	**4,305**	**11,213**	**15,518**

	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

	As at 30 June 2018			
	Wigs	**Clothing and others**	**Unallocated**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**
Reportable segment assets	**104,290**	**361,140**	**184,576**	**650,006**
Reportable segment liabilities	**22,155**	**31,863**	**83,100**	**137,118**

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

5. REVENUE

The Group's principal activities are disclosed in note 1 to the condensed consolidated interim financial information. Information of revenue by product line with disaggregation of revenue are as follows. Product line classification is consistent with the revenue information that is disclosed for each reportable segment under HKFRS 8.

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Wigs	**91,545**	109,642
Clothing and others	**134,597**	144,628
	226,142	254,270

All the performance obligations of revenue of the Group have been satisfied at a point in time.

The Group's contracts with customers usually have original expected duration of one year or less. No consideration which has been received from customers has not been included in the transaction price.

The Group expects that all the unsatisfied contracts as at the end of each reporting period will be recognised as revenue during the next reporting period.

The following table shows how much of the revenue recognised in the current reporting period relates to brought-forward deposits from customers. There was no revenue recognised during the six months ended 30 June 2018 that is related to performance obligations that were satisfied in a prior year (2017: nil).

	Six months ended 30 June 2018
	RMB'000
	(unaudited)
Wigs	**226**
Clothing and others	**847**
	1,073

6. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Exchange gain	**587**	—
Bank interest income	**123**	94
Interest income on financial assets at fair value through profit or loss	**1,187**	—
Rental income	**626**	192
Government grant *(note)*	**252**	—
Others	**23**	—
	2,798	286

Note: The Group was entitled to receive subsidy from local government authority for export sales business conduct in Yichun Development Zone.

7. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost of inventories recognised as an expense	**134,208**	140,537
Depreciation	**10,347**	8,227
Amortisation of prepaid land lease payments	**147**	147
Amortisation of trademark	**47**	47
Operating lease charges in respect of land and buildings	**114**	265
Exchange (gain)/loss	**(587)**	1,316
Research and development cost	**12,176**	16,727
Staff costs		
— Salaries, allowances and other benefits	**42,344**	44,218
— Contributions to defined contribution retirement plans	**6,650**	7,344
	48,994	51,562

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 2018 and 2017.

The provision for PRC enterprise income tax has been provided at the applicable tax rate of 25% (2017: 25%) on the assessable profits of the PRC subsidiaries.

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax — PRC enterprise income tax		
Current period	**3,210**	8,296

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. Certain subsidiaries have been accredited as "High and New Technology Enterprise" in the PRC with effect from 13 November 2017, and subject to a concessionary tax rate of 15% for three years in accordance with the EIT Law.

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: 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 RMB10,412,000 (2017: RMB18,967,000) and the weighted average number of ordinary shares of 841,440,000 in issue during the period (2017: 756,234,000).

	Six months ended 30 June	
	2018	2017
	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	**10,412**	18,967
Effect of dilutive potential ordinary shares		
Interest on convertible bonds	**—**	767
Earnings for the purpose of diluted earnings per share	**10,412**	19,734

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**841,440**	756,234
Effect of dilutive potential ordinary shares:		
— convertible bonds	**—**	37,807
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**841,440**	794,041

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

The calculation of the diluted earnings per share for the six months ended 30 June 2017 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 2017. 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 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 2018	As at 31 December 2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Carrying amount at the beginning of the period/year	**12,683**	12,976
Amortised during the period/year	**(147)**	(293)
Carrying amount at the end of the period/year	**12,536**	12,683
Represented by:		
Non-current portion	**12,243**	12,390
Current portion	**293**	293
	12,536	12,683

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

As at 30 June 2018, the Group's prepaid land lease payments amounting to RMB12,536,000 (31 December 2017: RMB12,683,000) 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 2018	242,368	29,600	3,190	5,020	51,030	99,268	430,476
Additions	—	6,894	102	24	—	8,498	15,518
As at 30 June 2018 (unaudited)	**242,368**	**36,494**	**3,292**	**5,044**	**51,030**	**107,766**	**445,994**
Accumulated depreciation							
As at 1 January 2018	13,986	9,970	1,981	2,585	15,724	—	44,246
Charge for the period	3,333	1,489	189	330	5,006	—	10,347
As at 30 June 2018 (unaudited)	**17,319**	**11,459**	**2,170**	**2,915**	**20,730**	**—**	**54,593**
Net book amount							
As at 30 June 2018 (unaudited)	**225,049**	**25,035**	**1,122**	**2,129**	**30,300**	**107,766**	**391,401**
As at 31 December 2017 (audited)	228,382	19,630	1,209	2,435	35,306	99,268	386,230

As at 30 June 2018, the Group's buildings amounting to RMB197,823,000 (31 December 2017: RMB200,724,000) were pledged to the banks to secure the bank borrowings granted to the Group.

13. TRADEMARK

	Trademark
	RMB'000
Cost	
As at 1 January 2018 and 30 June 2018 (unaudited)	**500**
Accumulated amortisation	
As at 1 January 2018	250
Charge for the period	47
As at 30 June 2018 (unaudited)	297
Net book amount	
As at 30 June 2018 (unaudited)	203
As at 31 December 2017 (audited)	250

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 2018 *RMB'000* **(unaudited)**	As at 31 December 2017 *RMB'000* (audited)
Raw materials	**12,341**	20,881
Work in progress	**832**	1,429
Finished goods	**1,214**	2,440
	14,387	24,750

15. TRADE AND OTHER RECEIVABLES

	As at 30 June 2018 *RMB'000* **(unaudited)**	As at 31 December 2017 *RMB'000* (audited)
Trade receivables		
— from third parties	**47,091**	27,757
Deposits, prepayments and other receivables		
Prepayments	**3,617**	1,541
Prepayments for construction materials	**—**	8,050
Other tax receivables	**9,936**	5,063
Deposits	**224**	221
Other receivables	**1,245**	997
	15,022	15,872
	62,113	43,629

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.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses ("**life time ECL**"). The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over one year past due. There has been no change in the estimation techniques or significant assumptions made.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, eg when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

Generally the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base. As at 30 June 2018, the Group did not have any material impairment on trade receivables (31 December 2017: nil). As at 30 June 2018, no lifetime ECL (whether not credit-impaired or credit-impaired) or write-off has been recognised for trade receivables (31 December 2017: nil). There has not been any significant change in the gross amounts of trade receivables that has affected the estimation of the loss allowance during the six months period ended 30 June 2018.

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

	As at 30 June 2018 *RMB'000* **(unaudited)**	As at 31 December 2017 *RMB'000* (audited)
0–30 days	**47,091**	23,569
31–60 days	**—**	2,301
61–90 days	**—**	1,887
	47,091	27,757

As at 30 June 2018, no trade receivables were individually determined to be impaired (31 December 2017: nil).

16. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2018 *RMB'000* **(unaudited)**	As at 31 December 2017 *RMB'000* (audited)
Unlisted convertible bond	**60,400**	—

On 23 February 2018, Unlock Bound Investments Limited ("**UBI**"), a wholly-owned subsidiary of the Group, subscribed for a convertible bond in a principal of HK$70,000,000 (equivalent to RMB56,693,000) ("**CSG Convertible Bond**') with annual coupon rate of 6%, issued by Charm Success Global Investment Limited ("**CSG**"), an independent third party. CSG is an unlisted company incorporated in the BVI with limited liability. The CSG Convertible Bond will mature on 23 February 2022.

The CSG Convertible Bond will, at the discretion of UBI, be convertible at any time between the date of issue of the CSG Convertible Bond and on the second business day immediately preceding its maturity date on 23 February 2022 into fully paid ordinary shares of CSG. The total percentage of ordinary share hold by UBI upon full conversion of the CSG convertible bonds in the enlarged share capital of CSG will be equal to the aggregate principal amount of the CSG Convertible Bond divided by the value of CSG and its subsidiaries to be agreed by the UBI and CSG. If the bonds have not been converted, they will be redeemed on maturity date at 110% of the outstanding principal amount of the CSG Convertible Bond plus accrued interest.

The movement of the CSG Convertible Bond during the period are set out below:

	For the six months ended 30 June 2018 *RMB'000* **(unaudited)**
Fair value at 23 February 2018	56,693
Accrued interest income	1,235
Exchange adjustments	2,472
Fair value at the end of the period	60,400

17. TRADE AND OTHER PAYABLES

	As at 30 June 2018 ***RMB'000*** **(unaudited)**	As at 31 December 2017 *RMB'000* (audited)
Trade payables		
— to third parties	**44,577**	17,100
Accrued charges and other payables		
— Deposits from customers	**1,359**	322
— Salaries payables	**8,082**	5,498
— Other tax payables	**803**	1,252
— Other payables	**15,147**	6,723
	25,391	13,795
	69,968	30,895

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 2018 ***RMB'000*** **(unaudited)**	As at 31 December 2017 *RMB'000* (audited)
0–30 days	**44,577**	17,100

18. 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 2018 *RMB'000* **(unaudited)**	As at 31 December 2017 *RMB'000* (audited)
Liability component		
Carrying amount at the beginning of the period/year	**16,412**	17,107
Effective interest charges	**561**	1,536
Interest paid	**(239)**	(1,041)
Exchange adjustments	**(510)**	(1,190)
Redemption of convertible bonds	**(16,224)**	—
Carrying amount at the end of the period/year	**—**	16,412

The convertible bonds matured on 18 May 2018 and all the convertible bonds were redeemed by the Group on the same day.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross profit margin

	Six months ended 30 June				
	2018		2017		
	Revenue	**Gross Profit margin**	Revenue	Gross Profit margin	Revenue % change
	RMB'000	**%**	*RMB'000*	%	
CMS business					
Cosplay costumes	**72,857**	**20.2%**	60,220	26.4%	21.0%
Cosplay wigs	**60,730**	**22.5%**	79,093	25.3%	(23.2)%
Sexy lingerie	**20,538**	**21.8%**	37,101	27.9%	(44.6)%
Others	**—**	**N/A**	4,525	27.3%	(100.0)%
	154,125	**21.3%**	180,939	26.2%	
OBM business					
Cosplay costumes	**30,197**	**21.9%**	25,426	29.8%	18.8%
Cosplay wigs	**30,815**	**19.5%**	30,549	24.3%	0.9%
Sexy lingerie	**11,005**	**21.1%**	16,942	29.3%	(35.0)%
Others	**—**	**N/A**	414	19.8%	(100.0)%
	72,017	**20.8%**	73,331	27.3%	
Total	**226,142**	**21.1%**	254,270	26.6%	

Revenue

During the six months ended 30 June 2018, 68.2% (2017: 71.2%) of our total revenue was mainly derived from our Contract Manufacturing Service ("**CMS**") business. Our revenue derived from the CMS business decreased from approximately RMB180.9 million to approximately RMB154.1 million, representing a decrease of approximately 14.8%. Such decrease was mainly due to the drop in certain markets' demand in cosplay wigs and sexy lingerie.

The revenue derived from our Original Brand Manufacturing ("**OBM**") business decreased from approximately RMB73.3 million to approximately RMB72.0 million, representing a decrease of approximately 1.8%. Such decrease was mainly attributable to the decrease in the revenue from the OBM sexy lingerie and offset by the increase in demand for OBM cosplay costumes.

Gross profit margin

Our gross profit margin decreased from approximately 26.6% to approximately 21.1% 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 increased by approximately RMB2.5 million, from approximately RMB0.3 million to approximately RMB2.8 million. The increase was primarily due to an increase in exchange gain of approximately RMB0.6 million and interest income on financial assets at fair value through profit or loss of approximately RMB1.2 million.

Selling expenses

Our selling expenses primarily consist of delivery expenses, staff costs and advertising and marketing expenses. Selling expenses represent approximately 2.6% and 2.3% of the revenue for the six months ended 30 June 2018 and 2017, respectively.

Administrative and other operating expenses

Our administrative and other operating expenses decreased by approximately RMB4.5 million, from approximately RMB33.2 million to approximately RMB28.7 million. The decrease was primarily due to a decrease in research and development cost of approximately RMB4.6 million and offset by the increase in depreciation of approximately RMB2.1 million.

Finance costs

Our finance costs increased by approximately RMB0.9 million, from approximately RMB1.4 million to approximately RMB2.3 million. The increase in finance costs was primarily due to the payment of interests on convertible bonds and other short term borrowings.

Income tax

Our income tax expense decreased by approximately RMB5.1 million, from approximately RMB8.3 million to approximately RMB3.2 million. Our effective tax rate maintained at 23.6% and 30.4% for both periods under review respectively.

Financial resources and liquidity

As at 30 June 2018, the total amount of cash and cash equivalent of the Group was approximately RMB106.8 million, an increase of approximately RMB37.6 million compared with that as at 31 December 2017. The increase was mainly arose from the increase in net borrowings and trade and other payables of approximately RMB13.9 million and RMB39 million respectively. As at 30 June 2018, the financial ratio of the Group was as follows:

	As at 30 June 2018	As at 31 December 2017
Current ratio(1)	**135.5%**	142.3%
Gearing ratio(2)	**13.0%**	15.7%

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 2018, the Group invested approximately RMB15.5 million in property, plant and equipment, which mainly consist of construction and decoration of a new factory building at our Yichun Production Plant and a Research and Development Centre, and Service and Experience Centre at our Yiwu Production Plant.

The installation of machinery and equipment in our new Research and Development Centre had been completed and put into service since May 2018.

The construction of the E-commerce Operation Centre and the Service and Experience Centre is slightly behind schedule and is expected to be completed by the end of the year.

For the new factory building at our Yichun Production Plant, infrastructure construction and related fire control work were expected to be completed in the fourth quarter of 2018. However, due to the continuous decline in the turnover in the past 2 years and the uncertain foreign trade environment due to the escalation of the China-U.S. trade dispute, the management of the Group have a reservation view over the current timetable to expand the production capacity. The Group will closely monitor both the internal and the external factors and will decide on the investment of new production lines in due course.

Pledged of assets

As at 30 June 2018, the bank loans were secured by the Group's prepaid land lease payments with carrying value of approximately RMB12.5 million (31 December 2017: RMB12.7 million) and buildings with carrying value of approximately RMB197.8 million (31 December 2017: RMB200.7 million).

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2018 and 31 December 2017.

Foreign currency exposure

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

Termination of joint venture agreement and redemption of Convertible Bonds

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 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 subsequent reallocated for the purpose of general working capital of the Group upon the redemption of Convertible Bonds by the Company and termination of the joint venture agreement on 18 May 2018.

Use of proceed

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. The net proceeds have been used (i) as to HK$70.0 million for the subscription of convertible bonds issued by Charm Success Global Investment Limited which completed on 15 March 2018; (ii) as to approximately HK$2.5 million for working capital of the Group and had been fully utilised during the six months ended 30 June 2018.

For details of the above transactions, please refer to the announcements dated 14 February 2018; 21 February 2018; 23 February 2018; 2 March 2018; 13 March 2018 and 15 March 2018.

Employees and remuneration policy

As of 30 June 2018, we had approximately 1,389 employees. Total staff costs for the period amounted to approximately RMB49.0 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				
	2018		2017		Increase (decrease) of revenue
	Revenue RMB'000	***% of total***	*Revenue RMB'000*	*% of total*	*(approximate %)*
CMS business	**154,125**	**68.2%**	180,939	71.2%	(14.8)%
OBM business	**72,017**	**31.8%**	73,331	28.8%	(1.8)%
Total	**226,142**	**100.0%**	254,270	100.0%	(11.1)%

Revenue by operating and reportable segments

	Six months ended 30 June				
	2018		2017		Increase (decrease) of revenue
	Revenue RMB'000	***% of total***	*Revenue RMB'000*	*% of total*	*(approximate %)*
Wigs	**91,545**	**40.5%**	109,642	43.1%	(16.5)%
Clothing and others	**134,597**	**59.5%**	144,628	56.9%	(6.9)%
Total	**226,142**	**100.0%**	254,270	100.0%	(11.1)%

Profit attributable to the equity holders of the Company for the six months ended 30 June 2018 amounted to approximately RMB10.4 million, representing a 45.1% decrease compared with the corresponding period, mainly due to a decline in turnover due to a drop in the demand of the Group's products in overseas market and a decrease in the gross profit margin resulting from the increase in the costs for certain major raw material and packaging material.

BUSINESS PROSPECTS

In the first half of 2018, the Group faced challenges from the rising production cost, such as wages and raw materials costs; more stringent environmental policies in Mainland China and also changing in customer demand and standards towards our products, which leads to the decline in turnover and gross profit margin. Looking ahead to the second half of the year, there will still be pressure on the structural adjustment of economic growth, especially the increasingly harsh foreign trade environment due to the escalation of the China-U.S. trade dispute. The Company is of the view that it is necessary to optimize and adjust its 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 have been mainly used for the subscription of convertible bonds of HK$70.0 million issued by Charm Success Global Investment Limited ("**Issuer**"). The Issuer's holding company has 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.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2018.

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 2018.

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 2018 save for the deviation as explained below.

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The roles of the chairman and the chief executive officer of the Company are not separate and both are performed by Mr. Lin Xin Fu. In view of the fact that Mr. Lin has joined our group since 2006, our Board believes that it is in the best interest of our Group to have Mr. Lin taking up both roles for effective management and business development. Therefore, our Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

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

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

REVIEW OF INTERIM RESULTS AND INTERIM REPORT

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

In addition, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018 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 2018 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, 24 August 2018

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.