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 2020

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 2020, together with the comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*6*	**117,378**	164,115
Costs of sales		**(86,082)**	(120,251)
Gross profit		**31,296**	43,864
Other income	*7*	**4,506**	3,769
Selling expenses		**(2,642)**	(4,146)
Impairment loss on property, plant and equipment		**(37,294)**	(18,848)
Impairment loss on trade and other receivables, net		**(147)**	—
Administrative and other operating expenses		**(34,888)**	(26,555)
Loss from operations		**(39,169)**	(1,916)
Finance costs		**(3,461)**	(3,113)
Loss before income tax	*8*	**(42,630)**	(5,029)
Income tax (expenses)/credit	*9*	**(689)**	1,661

		Six months ended 30 June	
		2020	2019
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Loss for the period		**(43,319)**	(3,368)
Other comprehensive expenses:			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operation recognised		**(569)**	(273)
Other comprehensive expenses for the period, net of nil tax		**(569)**	(273)
Total comprehensive expenses for the period		**(43,888)**	(3,641)
Loss per share for loss attributable to equity holders of the Company		***RMB (cents)***	*RMB (cents)*
Basic and diluted	*11*	**(4.83)**	(0.38)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	NOTES	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Trademark	*15*	**16**	63
Right-of-use assets	*12*	**10,647**	10,997
Investment properties	*13*	**20,128**	20,754
Property, plant and equipment	*14*	**306,962**	362,865
Financial asset at fair value through profit or loss	*18*	**2,010**	1,969
Deferred tax assets		**13,393**	13,393
		353,156	410,041
Current assets			
Inventories	*16*	**24,860**	24,271
Trade and other receivables	*17*	**70,683**	41,349
Net investment in leases		**3,106**	4,976
Tax recoverable		**1,925**	1,801
Bank balances and cash		**73,578**	78,761
		174,152	151,158
Current liabilities			
Trade and other payables	*19*	**34,313**	44,112
Contract liabilities		**710**	—
Lease liabilities		**2,786**	2,707
Short term borrowings		**113,704**	94,697
		151,513	141,516
Net current assets		**22,639**	9,642
Net assets		**375,795**	419,683
CAPITAL AND RESERVES			
Share capital		**7,352**	7,352
Reserves		**368,443**	412,331
Total equity		**375,795**	419,683

NOTES TO THE INTERIM FINANCIAL REPORT

for the six months ended 30 June 2020

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 Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). 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 and leasing of factory premises.

As at 30 June 2020, the Directors consider the ultimate controlling shareholder of the Company to be Mr. Chen Sheng Bi, through his wholly-owned company, Master Professional Holdings Limited, which was incorporated in the British Virgin Islands ("**BVI**").

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2020 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 consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2019.

The condensed consolidated interim financial information is unaudited.

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 on 28 August 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 30 June 2020 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 2019, except for the adoption of the following new and amended Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA effective for the annual period beginning on 1 January 2020.

Adoption of new and amended HKFRSs

The Group has adopted the following new and amended HKFRSs that have become effective for accounting period beginning on 1 January 2020 and are relevant to the Group:

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

The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

Other than as noted below, the adoption of the 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.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments clarify the definition of material and state that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". Materiality depends on nature or magnitude of information or both.

The amendments also:

- introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;

- clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold "could influence" with "could reasonably be expected to influence" in the definition of material; and

- clarify that materiality assessment will need to take into account of information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

4. ESTIMATES AND JUDGEMENTS

The preparation of condensed consolidated interim financial information requires management to make accounting judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements of the Group for the year ended 31 December 2019.

5. SEGMENT INFORMATION

The Executive Directors of the Company, being the chief operating decision maker (the "**CODM**"), have identified the Group's three 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 (excluded finance charges on lease liabilities), interest income, unallocated other operating income, unallocated corporate expenses, and income tax expenses. All assets are allocated to reportable segments other than bank balances and cash, financial assets at fair value through profit or loss 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 2020			
	Wigs	Clothing and others	Leasing of factory premises	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from external customers	**35,990**	**81,388**	**—**	**117,378**
Segment results	**(15,764)**	**7,125**	**(304)**	**(8,943)**
Finance costs (excluded finance charges on lease liabilities)				**(3,382)**
Bank interest income				**113**
Unallocated income				**4,393**
Unallocated expenses				**(34,811)**
Loss before income tax				**(42,630)**
Income tax expenses				**(689)**
Loss for the period				**(43,319)**
Other segment items				
Depreciation and amortisation	**6,424**	**11,185**	**2,029**	**19,638**
Impairment loss on property, plant and equipment	**24,021**	**13,273**	**—**	**37,294**
Capital expenditure	**3**	**3**	**—**	**6**
Impairment loss on trade and other receivables, net	**27**	**120**	**—**	**147**

	Six months ended 30 June 2019		
	Wigs	Clothing and others	Total
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)
Revenue from external customers	60,875	103,240	164,115
Segment results	204	20,659	20,863
Finance costs			(3,113)
Bank interest income			139
Unallocated income			3,630
Unallocated expenses			(26,548)
Loss before income tax			(5,029)
Income tax credit			1,661
Loss for the period			(3,368)
Other segment items			
Depreciation and amortisation	3,678	7,087	10,765
Impairment loss on property, plant and equipment	13,341	5,507	18,848
Capital expenditure	25,377	32,650	58,027
Loss on disposal of property, plant and equipment	—	7	7

	As at 30 June 2020				
	Wigs	**Clothing and others**	**Leasing of factory premises**	**Unallocated**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
Reportable segment assets	**120,811**	**256,871**	**50,967**	**98,659**	**527,308**
Reportable segment liabilities	**7,256**	**20,920**	**3,991**	**119,346**	**151,513**

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

6. REVENUE

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

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Wigs	**35,990**	60,875
Clothing and others	**81,388**	103,240
	117,378	164,115

For the six months ended 30 June 2020 and 2019

Disaggregation of revenue from contracts with customers

The Group's revenue from sales of wigs, clothing and others are recognised at a point in time. The Group's contracts with customers usually have original expected duration of one year or less. Revenue from major product lines are as follow:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Contract Manufacturing Services ("CMS") business		
Cosplay costumes	**26,067**	48,569
Cosplay wigs	**31,596**	42,120
Sexy lingerie	**18,685**	19,043
Others	**4,756**	26
	81,104	109,758
Original Brand Manufacturing ("OBM") business		
Cosplay costumes	**19,011**	25,447
Cosplay wigs	**4,394**	18,755
Sexy lingerie	**11,686**	10,155
Others	**1,183**	—
	36,274	54,357
	117,378	164,115

7. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Exchange gain	**331**	768
Bank interest income	**113**	139
Interest income on financial assets at fair value through profit or loss	**—**	1,800
Rental income from operating leases of plant and machineries		
— Lease payments that are fixed	**818**	803
Rental income from operating leases of investment properties		
— Lease payments that are fixed	**1,563**	—
Income relating to net investment in leases — Finance lease income	**658**	—
Government grant *(note)*	**912**	219
Others	**111**	40
	4,506	3,769

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

8. LOSS BEFORE INCOME TAX

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost of inventories recognised as an expense	**67,034**	90,313
Depreciation		
— property, plant and equipment	**18,615**	10,572
— investment properties	**626**	—
— right of use assets	**350**	146
Amortisation of trademark	**47**	47
Loss on disposal of interest in a joint venture	**—**	2
Loss on disposal of property, plant and equipment	**—**	7
Impairment loss on property, plant and equipment	**37,294**	18,848
Short term lease charges	**38**	121
Income relating to net investment in leases	**(658)**	—
Fair value loss on financial assets at fair value through profit or loss	**—**	2,216
Exchange gain, net	**(331)**	(768)
Impairment loss on trade receivables, net	**147**	—
Research and development cost	**9,646**	8,094
Government grant	**(912)**	(219)
Staff costs		
— Salaries, allowances and other benefits	**23,699**	29,369
— Contributions to defined contribution retirement plans	**1,911**	4,286
	25,610	33,655

9. INCOME TAX EXPENSES/(CREDIT)

For the six months ended 30 June 2020, Hong Kong profits tax of the Group is calculated in accordance with the two-tiered profit tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying entities will be taxed at 8.25%, and the profits above HK$2 million will be taxed at 16.5%. (2019: 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 2019.)

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax		
Current period — PRC enterprise income tax	**620**	3,051
Current period — Hong Kong profits tax	**69**	—
Deferred tax	**—**	(4,712)
Income tax expenses/(credit)	**689**	(1,661)

Under the Law of the PRC 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 of the Group 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. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: nil).

11. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period attributable to equity holders of the Company of RMB43,319,000 (2019: loss for the period attributable to equity holders of the Company of RMB3,368,000) and the weighted average number of ordinary shares of 897,723,000 in issue during the period (2019: 897,723,000).

No diluted earnings per share has been presented for the six months ended 30 June 2020 and 2019 as there was no dilutive share outstanding during the period.

12. RIGHT-OF-USE ASSETS

	Prepaid land lease payments *RMB'000*	Other properties leased for own use *RMB'000*	Total *RMB'000*
Carrying amount as at 1 January 2019	12,390	—	12,390
Addition	—	973	973
Depreciation during the year	(286)	(187)	(473)
Transfer to investment properties	(1,893)	–	(1,893)
Carrying amount as at 31 December 2019 (audited)	10,211	786	10,997
Carrying amount as at 1 January 2020	10,211	786	10,997
Depreciation during the period	(125)	(225)	(350)
Carrying amount as at 30 June 2020 (unaudited)	**10,086**	**561**	**10,647**

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

As at 30 June 2020, the Group's right-of-use assets amounting to RMB10,086,000 (31 December 2019: RMB10,211,000) were pledged to secure bank borrowings granted to the Group.

13. INVESTMENT PROPERTIES

	As at 30 June 2020 ***RMB'000*** **(unaudited)**	As at 31 December 2019 *RMB'000* (audited)
Investment properties	**20,128**	20,754

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

	As at 30 June 2020 ***RMB'000*** **(unaudited)**	As at 31 December 2019 *RMB'000* (audited)
Carrying amount at 1 January	**20,754**	—
Addition	**—**	4,868
Transferred from right-of-use assets	**—**	1,893
Transferred from property, plant and equipment	**—**	37,741
Depreciation	**(626)**	(583)
Transferred to net investment in leases	**—**	(4,494)
Impairment loss	**—**	(18,671)
Carrying amount	**20,128**	20,754

	As at 30 June 2020 ***RMB'000*** **(unaudited)**	As at 31 December 2019 *RMB'000* (audited)
Cost	**39,634**	39,634
Accumulated depreciation and impairment	**(19,506)**	(18,880)
Carrying amount	**20,128**	20,754

At 30 June 2020, the fair value of the Group's investment properties, determined using income approach, which also representing the recoverable amounts of the leasing of factory premise CGU was RMB35,200,000 (31 December 2019: RMB37,680,000). The fair value as at 30 June 2020 has been arrived based on a valuation carried by an independent, professionally qualified valuer Graval Consulting Limited.

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

The most significant inputs, all of which are unobservable, are the estimated rental value and the discount rate. The estimated rental value and discount rate is RMB15 per square meter and 6.7% as at period ended 30 June 2020 (31 December 2019: RMB16 per square meter and 6.7%). The estimated fair value increases if the estimated rental value increases or if discount rate (market yields) decline. The overall valuations are sensitive to all assumptions. Management considers the range of reasonably possible alternative assumptions is greatest for rental values and that there is also an interrelationship between these inputs.

As at 30 June 2020, bank borrowings are secured by investment properties with a carrying value of RMB20,128,000 (31 December 2019: RMB20,754,000).

14. 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 2020	210,213	35,929	3,690	5,127	145,745	79,672	480,376
Additions	—	—	—	—	—	6	6
Transfers	70,958	—	—	—	8,720	(79,678)	—
As at 30 June 2020 (unaudited)	**281,171**	**35,929**	**3,690**	**5,127**	**154,465**	**—**	**480,382**
Accumulated depreciation							
As at 1 January 2020	34,860	15,457	2,686	3,633	60,875	—	117,511
Charge for the period	2,935	1,592	135	307	13,646	—	18,615
Impairment loss	15,055	1,297	189	196	20,557	—	37,294
As at 30 June 2020 (unaudited)	**52,850**	**18,346**	**3,010**	**4,136**	**95,078**	**—**	**173,420**
Net book amount							
As at 30 June 2020 (unaudited)	**228,321**	**17,583**	**680**	**991**	**59,387**	**—**	**306,962**
As at 31 December 2019 (audited)	175,353	20,472	1,004	1,494	84,870	79,672	362,865

As at 30 June 2020, the Group's buildings with a total value amounting to RMB112,252,000 (31 December 2019: RMB129,638,000) were pledged to banks to secure bank borrowings granted to the Group.

The Group has determined the amount of the impairment loss of property, plant and equipment based on the recoverable amount of each cash-generating units ("**CGUs**") with property, plant and equipment allocated. The recoverable amounts of the CGUs have been determined based on value in use calculations, which use cashflow forecast available as at 30 June 2020. Fair value less costs of disposal is not used as the management considered that it will not be possible to measure fair value less costs of disposal of each CGUs because there is no basis for making a reliable estimate of the price. These cashflow forecasts are derived from the approved business plan which has a forecast covering a period of five years.

The key assumptions used in the value in use calculations are as follows:

— The sales growth rate assumptions are based on management estimates and expectations of current market conditions.

— The utilisation rate of the production line represents the forecast projections in the business plan.

— The cash flow projections are discounted using a discount rate of 16.70% (31 December 2019: 16.73%). The discount rates reflect the current market assessments of the time value of money and are based on the estimated cost of capital and adjusted for lack of marketability.

— A terminal growth rate has been used in estimating cash flows beyond a period of five years. A nominal rate of 3% (31 December 2019: 3%) has been used.

During the six months ended 30 June 2020, impairment loss of RMB37,294,000 was recognised on property, plant and equipment.

15. TRADEMARK

	Trademark *RMB'000*
Cost	
As at 1 January 2020 and 30 June 2020 (unaudited)	**500**
Accumulated amortisation	
As at 1 January 2020	437
Charge for the period	47
As at 30 June 2020 (unaudited)	**484**
Net book amount	
As at 30 June 2020 (unaudited)	**16**
As at 31 December 2019 (audited)	63

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

16. INVENTORIES

	As at 30 June 2020 *RMB'000* (unaudited)	As at 31 December 2019 *RMB'000* (audited)
Raw materials	**23,183**	17,908
Work in progress	**401**	512
Finished goods	**1,276**	5,851
	24,860	24,271

17. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 *RMB'000* (unaudited)	As at 31 December 2019 *RMB'000* (audited)
Trade receivables		
— from third parties	**61,492**	31,376
Less: impairment loss	**(317)**	(170)
	61,175	31,206
Deposits, prepayments and other receivables		
Prepayments	**3,492**	5,002
Other tax receivables	**5,302**	4,566
Deposits	**625**	498
Other receivables	**89**	77
	9,508	10,143
	70,683	41,349

The Group usually requires advance deposits from its customers. Before accepting any new customer, the Group applied an internal credit assessment policy to assess the potential customer's credit quality. The credit period is generally for a period of 45 to 60 days. Overdue balances are reviewed regularly by senior management. Trade receivables are non interest-bearing.

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

	As at 30 June 2020 *RMB'000* (unaudited)	As at 31 December 2019 *RMB'000* (audited)
0–30 days	**25,877**	24,685
31–60 days	**18,654**	4,837
61–90 days	**9,236**	564
91–365 days	**7,408**	1,120
	61,175	31,206

As at 30 June 2020, impairment loss of RMB317,000 (31 December 2019: RMB170,000) was recognised.

18. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2020 *RMB'000* (unaudited)	As at 31 December 2019 *RMB'000* (audited)
Unlisted convertible bond	**2,010**	1,969

On 23 February 2018, Unlock Bound Investments Limited ("**Unlock Bound**" or the "**Subscriber**") a wholly-owned subsidiary of the Company, subscribed for a convertible bond in a principal amount 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**" or the "**CB issuer**") an independent third party. CSG is an unlisted company incorporated in the BVI with limited liability. The CSG Convertible Bond will mature on 15 March 2022. CSG and its subsidiaries are engaged in the development of tourism and tourism projects.

The CSG Convertible Bond will, at the discretion of Unlock Bound, be convertible at any time between the date of issue of the CSG Convertible Bond and on the second business day immediately preceding its maturity date on 15 March 2022 into fully paid ordinary shares of CSG. The total percentage of ordinary share hold by Unlock Bound upon full conversion of the CSG convertible 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 Unlock Bound and CSG. If the bonds have not been converted, they will be redeemed on maturity date at 110% of the outstanding principal amount of the CSG Convertible Bond plus accrued interest.

During the year ended 31 December 2019 and six months ended 30 June 2020, CGS failed to pay the annual coupon interest as stipulated in the subscription agreement and the CSG Convertible Bond become default. Based on the information and belief of the Directors according to the representations of CSG, there has been an unexpected delay in the implementation of the development plan of the project due to (1) unexpected delay in obtaining funds from investors to carry out the project; and (2) the delay in assignment of theme park license from the holding company of CSG to CSG and its subsidiaries which was subject to licensor's approval. In view of the above factors, the equity interest in the issuer on conversion is considered likely to be no commercial value.

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

	For the six months ended 30 June 2020 *RMB'000* **(unaudited)**	For the year ended 31 December 2019 *RMB'000* (audited)
Fair value at beginning of the period/year	**1,969**	62,263
Accrued interest income (note)	**—**	—
Fair value loss	**—**	(60,524)
Exchange adjustments	**41**	230
Fair value at the end of the period/year	**2,010**	1,969

Note: As the annual coupon interest was past due and defaulted, no interest income was recognised for the six months ended 30 June 2020 and year ended 31 December 2019.

19. TRADE AND OTHER PAYABLES

	As at 30 June 2020 *RMB'000* **(unaudited)**	As at 31 December 2019 *RMB'000* (audited)
Trade payables		
— to third parties	**22,549**	19,164
Accrued charges and other payables		
— Salaries payables	**4,917**	4,239
— Other tax payables	**1,532**	756
— Other payables	**5,315**	19,953
	11,764	24,948
	34,313	44,112

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

	As at 30 June 2020 *RMB'000* **(unaudited)**	As at 31 December 2019 *RMB'000* (audited)
0–30 days	**19,940**	19,164
31–60 days	**1,539**	—
61–90 days	**194**	—
91–365 days	**876**	—
	22,549	19,164

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross profit margin

	Six months ended 30 June				
	2020		2019		
	Revenue	**Gross Profit margin**	Revenue	Gross Profit margin	Revenue % change
	RMB'000	**%**	*RMB'000*	%	
CMS business					
Cosplay costumes	**26,067**	**22.9%**	48,569	27.6%	(46.3)%
Cosplay wigs	**31,596**	**26.6%**	42,120	26.2%	(25.0)%
Sexy lingerie	**18,685**	**24.8%**	19,043	27.0%	(1.9)%
Others	**4,756**	**26.5%**	26	26.9%	18,192.3%
	81,104	**25.0%**	109,758	27.0%	
OBM business					
Cosplay costumes	**19,011**	**27.8%**	25,447	29.3%	(25.3)%
Cosplay wigs	**4,394**	**20.2%**	18,755	22.3%	(76.6)%
Sexy lingerie	**11,686**	**39.1%**	10,155	25.9%	15.1%
Others	**1,183**	**23.4%**	—	—	N/A
	36,274	**30.4%**	54,357	26.3%	
Total	**117,378**	**26.7%**	164,115	26.7%	

Revenue

During the six months ended 30 June 2020, 69.1% (2019: 66.9%) of our total revenue was mainly derived from our CMS business. Our revenue derived from the CMS business decreased from approximately RMB109.8 million to approximately RMB81.1 million, representing a decrease of approximately 26.1%. Such decrease was mainly due to the outbreak of the coronavirus disease ("**COVID-19**") globally since early 2020. Certain customers of the Group have reduced the number and the volume of orders on our products in view of the adverse market conditions created by the COVID-19, resulting in a decline in the revenue of the Group.

The revenue derived from our OBM business decreased from approximately RMB54.4 million to approximately RMB36.3 million, representing a decrease of approximately 33.3%. Such decrease was mainly attributable to the outbreak of the COVID-19 globally since early 2020. Certain customers of the Group have reduced the number and the volume of orders on our products in view of the adverse market conditions created by the COVID-19, resulting in a decline in the revenue of the Group.

Gross profit margin

Our gross profit margin maintained at approximately 26.7% for both periods.

Cost of sales

Our cost of sales mainly comprised of 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 RMB0.7 million, from approximately RMB3.8 million to approximately RMB4.5 million. The increase was primarily due to an increase in rental income from our Party Culture Industrial Park.

Selling expenses

Our selling expenses primarily consist of delivery expenses, staff costs and advertising and marketing expenses. Selling expenses represent approximately 2.3% and 2.5% of the revenue for the six months ended 30 June 2020 and 2019, respectively.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately RMB8.3 million, from approximately RMB26.6 million to approximately RMB34.9 million. The increase was primarily due to an increase in research and development cost of approximately RMB1.6 million and provision of depreciation of property, plant and equipment and investment properties of approximately RMB8.0 million and RMB0.6 million respectively.

Impairment loss on property, plant and equipment

During the period, impairment loss on property, plant and equipment of approximately RMB37.3 million was recognised as a result of the continuous drop in the turnover which in turn reduced the recoverable amount of the property, plant and equipment.

Finance costs

Our finance costs increased by approximately RMB0.4 million, from approximately RMB3.1 million to approximately RMB3.5 million. The increase in finance costs was primarily due to the finance charges on lease liabilities and the payment of interests on other short term borrowings.

Income tax

Our income tax expense increased by approximately RMB2.4 million, from income tax credit of approximately RMB1.7 million to tax expenses of approximately RMB0.7 million. The increased in income tax expenses mainly due to a decrease in deferred tax recognised during the period.

Financial resources and liquidity

As at 30 June 2020, the total amount of cash and cash equivalent of the Group was approximately RMB73.6 million, a decrease of approximately RMB5.2 million when compared with that as at 31 December 2019. The decrease was mainly arose from the application of net cash of approximately of RMB26.2 million in the group operating activities and the increase in short term borrowings of approximately RMB19.0 million. As at 30 June 2020, the financial ratio of the Group was as follows:

	As at 30 June 2020	As at 31 December 2019
Current ratio[(1)]	**114.9%**	106.8%
Gearing ratio[(2)]	**31.0%**	23.2%

Notes:

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

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

Capital expenditure

During the six months ended 30 June 2020, the Group invested approximately RMB6,000 in property, plant and equipment.

Due to the continuous decline in the turnover in the past 2 years and the uncertain foreign trade environment due to the escalation of the China-US trade dispute and the outbreak of the COVID-19, the management of the Group have a reservation view over the current timetable to expand the production capacity which include the establishment of a new factory building at our Yichun Production Plant. 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 2020, our bank loans were secured by the Group's right-of-use assets with carrying value of approximately RMB10.1 million (31 December 2019: RMB10.2 million); buildings with carrying value of approximately RMB112.3 million (31 December 2019: RMB129.6 million) and investment properties with carrying value of approximately RMB20.1 million (31 December 2019: RMB20.8 million).

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2020 and 31 December 2019.

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.

Employees and remuneration policy

As of 30 June 2020, we had approximately 753 employees. Total staff costs for the period amounted to approximately RMB25.6 million. The remuneration policy of the Group is reviewed regularly according to the relevant market practice, employee performance and the financial performance of the Group. There is no significant change in the Group's remuneration policies.

BUSINESS REVIEW

The Group is principally engaged in the design, development, production, selling and marketing of 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 20 countries and regions around the globe including mainly the US, Germany, the UK and Australia.

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

	Six months ended 30 June				
	2020		2019		Increase (decrease) of revenue
	Revenue RMB'000	***% of total***	*Revenue RMB'000*	*% of total*	*(approximate %)*
CMS business	**81,104**	**69.1%**	109,758	66.9%	(26.1)%
OBM business	**36,274**	**30.9%**	54,357	33.1%	(33.3)%
Total	**117,378**	**100.0%**	164,115	100.0%	(28.5)%

Revenue by operating and reportable segments

	Six months ended 30 June				
	2020		2019		Increase (decrease) of revenue
	Revenue RMB'000	***% of total***	*Revenue RMB'000*	*% of total*	*(approximate %)*
Wigs	**35,990**	**30.7%**	60,875	37.1%	(40.9)%
Clothing and others	**81,388**	**69.3%**	103,240	62.9%	(21.2)%
Total	**117,378**	**100.0%**	164,115	100.0%	(28.5)%

To further enhance our production efficiency and to foster the collaboration of companies of our upstream and downstream industries, we established a "Party Culture Industrial Park"(the "**Park**") in Yiwu, PRC in late 2019. The Park, together with our E-commerce Operation Centre and our Service and Experience Centre (the "**Centre**") helped to integrate and co-ordinate with companies of our upstream and downstream industries. The aggregate gross floor area of the Park and the Centre is 50,579 square meters and approximately 73.5% of the gross floor area has been leased/sub-leased to companies in the relevant industries. The aim of setting up the Park is to integrate the design and development of cultural products, internet celebrity, creative design, research and development and supply chain of the whole industrial chain. Gross income of approximately RMB3.1 million derived from leasing (including the lease of plant and machineries) was recognised during the period and included in "other income" on the face of the consolidated statement of profit or loss and other comprehensive income.

Loss attributable to the equity holders of the Company for the six months ended 30 June 2020 amounted to approximately RMB43.3 million as compared with a loss attributable to equity holders of the Company of approximately RMB3.4 million for the six months ended 30 June 2019. The Board considers that the aforesaid increase in loss was primarily attributable to the recognition of an impairment loss on property, plant and equipment of the Group as a result of the significant drop in the turnover under the uncertain foreign trade environment due to the outbreak of the COVID-19 globally.

INVESTMENT REVIEW

In March 2018, pursuant to a subscription agreement dated 23 February 2018 (the "**Subscription Agreement**"), Unlock Bound, a subsidiary of the Company, subscribed for the CSG Convertible Bond due 15 March 2022 in an aggregate principal amount of HK$70 million issued by CSG. As disclosed in the announcement of the Company dated 23 February 2018 (the "**CB Announcement**"), Elite Global Group Limited ("**Elite Global**"), the holding company of the CB Issuer, had entered into a license agreement with Viacom Media Networks, a division of Viacom International Inc. ("**VMN**"), pursuant to which VMN had granted a right (the "**Rights**") to, among others, the design, development, construction, launching and operating and management of a theme park in the PRC as a Nickelodeon themed and branded theme park using the approved licensed property elements (the "**Project**"). According to the Subscription Agreement, the CB Issuer undertakes that the Rights will be novated or assigned by Elite Global Group to Foshan Elite Nickelodeon ("**FEN**"), a subsidiary of the CB Issuer, or a wholly owned subsidiary of the CB Issuer within three months from the date of the Subscription Agreement or such other period as agreed by the CB Issuer and the Subscriber in writing. On the other hand, a deed of guarantee has been executed by Elite Global and Ms. Lam Suet Fan, the sole shareholder of Elite Global, as the guarantors to secure the due performance by the CB Issuer of the obligations under the CSG Convertible Bonds. For further details about the CSG Convertible Bonds, please refer to the CB Announcement. To the best knowledge, information and belief of the Directors according to the representations of the CB Issuer, as at the date of this announcement, there has been an unexpected delay in obtaining funds from investors to carry out the Project which leads to a delay in the implementation of the development plan of the Project especially after the outbreak of the COVID-19 globally and the subsequent quarantine measures as well as the travel restrictions imposed by various countries have further restricted meeting with investors. Moreover, the Rights have not yet been assigned to FEN pending the written approval from VMN. Furthermore, the CB Issuer defaulted paying the interests under the CSG Convertible Bonds. In view of the above, a fair value loss on FVTPL of approximately RMB60.5 million was recognised during the year ended 31 December 2019. To the best knowledge, information and belief of the Directors according to the representations of the CB Issuer, as at the date of this announcement, the CB Issuer is in active negotiations with various investors for sources of fundings so as to reactivate the Project, and finalising the development plan with VMN including but not limited to the background proof of the investors and revised Project timetable. The Company has assessed the situation periodically and may take appropriate actions against the CB Issuer to protect the interest of the Company if necessary.

BUSINESS PROSPECTS

The outbreak of the COVID-19 has resulted in major impact to businesses especially in the export trade segment and leading to steep recessions in many countries. The pandemic and the escalating China-US trade tension have created uncertainties to China's economy and the macroeconomic environment is challenging.

As a result of the adverse impact of the COVID-19 and the uncertainties of the macroeconomic environment, the Directors of the Group remain cautious to the challenging economic situation ahead and will take appropriate measures as and when it is necessary to minimise the financial impact, meanwhile to also look for potential investment opportunities which could enhance the financial performance for the Group.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

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 2020.

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 2020 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.

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 2020 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, 28 August 2020

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