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 2021

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 2021, together with the comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*6*	**101,928**	117,378
Costs of sales		**(74,395)**	(86,082)
Gross profit		**27,533**	31,296
Other income	*7*	**7,972**	4,506
Selling expenses		**(1,768)**	(2,642)
Impairment loss on property, plant and equipment, net		**(4,512)**	(37,294)
Reversal of impairment loss on investment properties		**3,313**	–
Fair value loss on financial asset at fair value through profit or loss		**(349)**	–
Administrative and other operating expenses		**(33,440)**	(35,035)
Loss from operations		**(1,251)**	(39,169)
Finance costs		**(2,656)**	(3,461)
Loss before income tax	*8*	**(3,907)**	(42,630)
Income tax expenses	*9*	**(1,247)**	(689)

		Six months ended 30 June	
		2021	2020
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Loss for the period		**(5,154)**	(43,319)
Other comprehensive income/(expenses):			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operation recognised		**2,110**	(569)
Other comprehensive income/(expenses) for the period, net of nil tax		**2,110**	(569)
Total comprehensive expenses for the period		**(3,044)**	(43,888)
		RMB (cents)	*RMB (cents)*
Loss per share for loss attributable to equity holders of the Company			
Basic and diluted	*11*	**(0.57)**	(4.83)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	NOTES	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Trademark	*15*	**–**	–
Right-of-use assets	*12*	**9,082**	9,258
Investment properties	*13*	**62,069**	58,915
Property, plant and equipment	*14*	**203,612**	217,707
Net investment in leases		**6,933**	6,779
Financial asset at fair value through profit or loss	*18*	**651**	5,557
Deferred tax assets		**25,719**	26,172
		308,066	324,388
Current assets			
Inventories	*16*	**19,546**	14,119
Trade and other receivables	*17*	**88,449**	67,639
Net investment in leases		**3,065**	2,996
Tax recoverable		**–**	2,062
Bank balances and cash		**74,474**	48,908
		185,534	135,724
Current liabilities			
Trade and other payables	*19*	**25,071**	19,289
Contract liabilities		**3,962**	170
Lease liabilities		**2,623**	2,190
Tax payable		**522**	–
Short term borrowings		**81,488**	81,429
		113,666	103,078
Net current assets		**71,868**	32,646
Total assets less current liabilities		**379,934**	357,034

	NOTES	**30 June 2021** *RMB'000* **(unaudited)**	31 December 2020 *RMB'000* (audited)
Non-current liabilities			
Lease liabilities		**5,639**	5,506
Net assets		**374,295**	351,528
CAPITAL AND RESERVES			
Share capital		**8,847**	7,352
Reserves		**365,448**	344,176
Total equity		**374,295**	351,528

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2021

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 Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is No. 3 Chunchao Road, Yichun Economic & Technological Development Zone, 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 2021, 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 2021 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 2020.

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 27 August 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 30 June 2021 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 2020, 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 2021.

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 2021 and are relevant to the Group:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The adoption of the new and amended 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.

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

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 2020.

5. SEGMENT INFORMATION

The Executive Directors of the Company, being the chief operating decision maker (the "**CODM**"), have identified the Group's major 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), bank interest income, gain on disposal of financial asset at fair value through profit or loss ("**FVTPL**") 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 asset at FVTPL and other corporate assets which are not directly attributable to the business activities of any reportable segments. All liabilities are allocated to reportable segments other than corporate liabilities which are not directly attributable to the business activities of any reportable segments.

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

	Six months ended 30 June 2021			
	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	**11,189**	**90,739**	**–**	**101,928**
Segment results	**(9,074)**	**25,281**	**(3,411)**	**12,796**
Finance costs (excluded finance charges on lease liabilities)				**(2,461)**
Bank interest income				**84**
Gain on disposal of financial asset at FVTPL				**2,835**
Unallocated income				**2,773**
Unallocated expenses				**(19,934)**
Loss before income tax				**(3,907)**
Income tax expenses				**(1,247)**
Loss for the period				**(5,154)**
Other segment items				
Depreciation and amortisation	**2,382**	**11,261**	**4,331**	**17,974**
(Reversal of)/impairment loss on property, plant and equipment	**10,420**	**(4,710)**	**(1,198)**	**4,512**
Reversal of impairment loss on investment properties	**–**	**–**	**(3,313)**	**(3,313)**
Capital expenditure	**750**	**6,750**	**556**	**8,056**
(Reversal of)/ECL allowance on trade and other receivables	**(114)**	**199**	**–**	**85**
ECL allowance on net investment in leases	**–**	**–**	**21**	**21**

	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
ECL allowance on trade and other receivables	27	120	–	147

	As at 30 June 2021				
	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	**27,751**	**238,724**	**94,250**	**132,875**	**493,600**
Reportable segment liabilities	**969**	**24,027**	**10,621**	**83,688**	**119,305**

	As at 31 December 2020				
	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	66,647	202,583	94,461	96,421	460,112
Reportable segment liabilities	4,766	7,943	9,433	86,442	108,584

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.

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Wigs	**11,189**	35,990
Clothing and others	**90,739**	81,388
	101,928	117,378

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	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Contract Manufacturing Services ("CMS") business		
Cosplay costumes	**80,405**	26,067
Cosplay wigs	**9,628**	31,596
Sexy lingerie	**2,117**	18,685
Others	**530**	4,756
	92,680	81,104
Original Brand Manufacturing ("OBM") business		
Cosplay costumes	**7,202**	19,011
Cosplay wigs	**1,561**	4,394
Sexy lingerie	**–**	11,686
Others	**485**	1,183
	9,248	36,274
	101,928	117,378

7. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Exchange gain	**–**	331
Bank interest income	**84**	113
Government grant *(note)*	**439**	912
Gain on disposal of financial asset at FVTPL	**2,835**	–
Rental income from operating leases of plant and machineries		
– Lease payments that are fixed	**827**	818
Rental income from operating leases of investment properties		
– Lease payments that are fixed	**1,208**	1,563
Income relating to net investment in leases – Finance lease income	**245**	658
Utility income	**1,283**	–
Subcontracting income	**513**	–
Others	**538**	111
	7,972	4,506

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 and (2) specific funds in the Yichun Development Zone.

8. LOSS BEFORE INCOME TAX

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost of inventories recognised as an expense	**44,499**	67,034
Depreciation		
– Property, plant and equipment	**16,417**	18,615
– Investment properties	**1,442**	626
– Right-of-use assets	**115**	350
Amortisation of trademark	**–**	47
Impairment loss on property, plant and equipment	**4,512**	37,294
Reversal of impairment loss on investment properties	**(3,313)**	–
Short term lease charges	**35**	38
Income relating to net investment in leases	**(245)**	(658)
Fair value loss on financial asset at FVTPL	**349**	–
Exchange loss/(gain), net	**693**	(331)
ECL allowance on trade and other receivables	**85**	147
ECL allowance on net investment in leases	**21**	–
Research and development cost	**8,556**	9,646
Government grant	**(439)**	(912)
Staff costs		
– Salaries, allowances and other benefits	**29,710**	23,699
– Contributions to defined contribution retirement plans	**2,936**	1,911
	32,646	25,610

9. INCOME TAX EXPENSES

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 2021. For the six months ended 30 June 2020, Hong Kong profits tax of the Group was 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%.

The provision for PRC enterprise income tax has been provided at the applicable tax rate of 25% (2020: 25%) on the assessable profits of the PRC subsidiaries.

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax		
Current period – PRC enterprise income tax	**794**	620
Current period – Hong Kong profits tax	**–**	69
Deferred tax	**453**	–
Income tax expenses	**1,247**	689

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%. From December 2020 onwards, certain subsidiaries of the Group were accredited as "High and New Technology Enterprise" in the PRC, and subject to a concessionary tax rate of 15% for three years in accordance with the EIT Law.

10. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (2020: 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 RMB5,154,000 (2020: loss for the period attributable to equity holders of the Company of RMB43,319,000) and the weighted average number of ordinary shares of 907,643,000 in issue during the period (2020: 897,723,000).

No diluted earnings per share has been presented for the six months ended 30 June 2021 and 2020 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 2020	10,211	786	10,997
Depreciation during the year	(239)	(412)	(651)
Transfer to investment properties	(714)	(374)	(1,088)
Carrying amount as at 31 December 2020 (audited)	9,258	–	9,258
Carrying amount as at 1 January 2021	9,258	–	9,258
Depreciation during the period	(115)	–	(115)
Transfer to investment properties	(61)	–	(61)
Carrying amount as at 30 June 2021 (unaudited)	**9,082**	**–**	**9,082**

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 2021, the Group's right-of-use assets amounting to RMB6,781,000 (31 December 2020: RMB6,922,000) were pledged to secure bank loans.

13. INVESTMENT PROPERTIES

	As at 30 June 2021 ***RMB'000*** **(unaudited)**	As at 31 December 2020 *RMB'000* (audited)
Investment properties	**62,069**	58,915

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

	As at 30 June 2021 *RMB'000* **(unaudited)**	As at 31 December 2020 *RMB'000* (audited)
Carrying amount at 1 January	**58,915**	20,754
Addition	**–**	10,893
Transferred from right-of-use assets	**61**	1,088
Transferred from property, plant and equipment	**1,222**	59,112
Depreciation	**(1,442)**	(1,665)
Transferred to net investment in leases	**–**	(11,267)
Reversal/(provision) of impairment loss	**3,313**	(20,000)
Carrying amount	**62,069**	58,915

	As at 30 June 2021 *RMB'000* **(unaudited)**	As at 31 December 2020 *RMB'000* (audited)
Cost	**100,743**	99,460
Accumulated depreciation and impairment	**(38,674)**	(40,545)
Carrying amount	**62,069**	58,915

At 30 June 2021, 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 RMB84,208,000 (31 December 2020: RMB83,700,000). The fair value as at 30 June 2021 has been arrived based on a valuation carried by an independent, professionally qualified valuer Graval Consulting Limited. The reversal of impairment loss of RMB3,313,000 (For the year ended 31 December 2020: provision of impairment loss of RMB20,000,000) was determined by comparing carrying amounts of the investment properties, together with the relevant leasehold improvement (note 14), to the above fair value as at 30 June 2021.

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 RMB12–RMB15 per square meter and 6%–6.5% as at six months ended 30 June 2021 (31 December 2020: RMB12–RMB15 per square meter and 6%–6.5%). 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 2021, bank loans are secured by investment properties with a carrying value of RMB27,233,000 (31 December 2020: RMB24,430,000).

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant and machineries *RMB'000*	Motor vehicles *RMB'000*	Furniture and equipment *RMB'000*	Leasehold improvement *RMB'000*	Total *RMB'000*
Cost						
As at 1 January 2021	221,413	35,463	3,847	4,989	157,579	423,291
Additions	6,608	889	–	3	556	8,056
Transfer to investment properties	(1,497)	–	–	–	–	(1,497)
As at 30 June 2021 (unaudited)	**226,524**	**36,352**	**3,847**	**4,992**	**158,135**	**429,850**
Accumulated depreciation						
As at 1 January 2021	76,035	19,413	3,217	4,233	102,686	205,584
Charge for the period	3,407	1,288	77	200	11,445	16,417
Transfer to investment properties	(275)	–	–	–	–	(275)
Impairment loss	3,624	62	60	23	743	4,512
As at 30 June 2021 (unaudited)	**82,791**	**20,763**	**3,354**	**4,456**	**114,874**	**226,238**
Net book amount						
As at 30 June 2021 (unaudited)	**143,733**	**15,589**	**493**	**536**	**43,261**	**203,612**
As at 31 December 2020 (audited)	145,378	16,050	630	756	54,893	217,707

As at 30 June 2021, the Group's buildings with a total value amounting to RMB83,023,000 (31 December 2020: RMB93,890,000) were pledged to banks to secure bank loans 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 2021. 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 16.93% (31 December 2020: 16.41%). 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 2.2% (31 December 2020: 2.2%) has been used.

During the six months ended 30 June 2021, impairment loss of RMB4,512,000 was recognised on property, plant and equipment.

15. TRADEMARK

	Trademark *RMB'000*
Cost	
As at 1 January 2021 and 30 June 2021 (unaudited)	**500**
Accumulated amortisation	
As at 1 January 2021 and 30 June 2021 (unaudited)	**500**
Net book amount	
As at 30 June 2021 (unaudited)	**–**
As at 31 December 2020 (audited)	–

16. INVENTORIES

	As at 30 June 2021 ***RMB'000*** **(unaudited)**	As at 31 December 2020 *RMB'000* (audited)
Raw materials	**18,144**	12,748
Work in progress	**899**	961
Finished goods	**503**	410
	19,546	14,119

17. TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 *RMB'000* **(unaudited)**	As at 31 December 2020 *RMB'000* (audited)
Trade receivables		
– From third parties	**62,989**	62,807
Less: ECL allowance	**(781)**	(696)
	62,208	62,111
Deposits, prepayments and other receivables		
Prepayments	**11,303**	2,402
Other tax receivables	**4,428**	2,080
Deposits	**10,162**	1,004
Other receivables	**348**	42
	26,241	5,528
	88,449	67,639

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 ECL allowance, is as follows:

	As at 30 June 2021 *RMB'000* **(unaudited)**	As at 31 December 2020 *RMB'000* (audited)
0–30 days	**31,884**	9,272
31–60 days	**10,869**	7,752
61–90 days	**–**	7,781
91–365 days	**15,847**	37,306
Over 1 year	**3,608**	–
	62,208	62,111

As at 30 June 2021, ECL allowance of approximately RMB781,000 (31 December 2020: RMB696,000) was recognised.

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

	As at 30 June 2021 *RMB'000* **(unaudited)**	As at 31 December 2020 *RMB'000* (audited)
At 1 January	**696**	170
ECL allowance recognised during the period/year	**85**	526
At 30 June/31 December	**781**	696

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities. The Group does not hold any collateral or other credit enhancements over these balances.

18. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2021 *RMB'000* **(unaudited)**	As at 31 December 2020 *RMB'000* (audited)
Unlisted convertible bond *(note a)*	**–**	5,557
Unlisted equity investment *(note b)*	**651**	–
	651	5,557

Notes:

(a) On 23 February 2018, Unlock Bound Investments Limited ("**Unlock Bound**"), a wholly-owned subsidiary of the Company, subscribed for a convertible bond with 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**") 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 Bond in the enlarged share capital of CSG will be equal to the aggregate principal amount of the CSG Convertible Bond divided by the value of CSG and its subsidiaries to be agreed by 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 six months ended 30 June 2021, two years ended 31 December 2020 and 2019, CSG failed to pay the annual coupon interest as stipulated in the subscription agreement and the CSG Convertible Bond 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 2021 *RMB'000* **(unaudited)**	For the year ended 31 December 2020 *RMB'000* (audited)
Fair value at beginning of the period/year	**5,557**	1,969
Fair value gain	**–**	3,913
Disposal	**(5,505)**	–
Exchange adjustments	**(52)**	(325)
Fair value at the end of the period/year	**–**	5,557

As the annual coupon interest was past due and defaulted, no interest income was recognised for the six months ended 30 June 2021 and year ended 31 December 2020.

On 15 March 2021, the Group disposed the CSG Convertible Bond to an independent third party at a cash consideration of HK$10,000,000 (equivalent to RMB8,340,000).

(b) On 1 February 2021, the Company entered into a Cooperation Agreement with two third parties to establish 深圳小滿水貝珠寶供應鏈有限公司 ("**小滿水貝**"), a limited company established in the PRC. The Company has contributed RMB1,000,000 to 小滿水貝, and holds 10% of equity interest.

The Company accounted for the unlisted equity investment as financial asset at fair value through profit or loss, with the change in fair value recorded in profit or loss, if any.

The fair value as at 30 June 2021 has been arrived based on a valuation carried by an independent, professionally qualified valuer Graval Consulting Limited.

The movement of the unlisted equity investment during the period is set out below:

	For the six months ended 30 June 2021 *RMB'000* **(unaudited)**
At date of establishment	**1,000**
Fair value loss	**(349)**
Fair value at the end of the period	**651**

19. TRADE AND OTHER PAYABLES

	As at 30 June 2021 *RMB'000* **(unaudited)**	As at 31 December 2020 *RMB'000* (audited)
Trade payables		
– To third parties	**14,436**	9,144
Accrued charges and other payables		
– Salaries payables	**6,598**	3,395
– Other tax payables	**83**	717
– Other payables	**3,954**	6,033
	10,635	10,145
	25,071	19,289

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 2021 *RMB'000* **(unaudited)**	As at 31 December 2020 *RMB'000* (audited)
0–30 days	**14,436**	9,144

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross profit margin

	Six months ended 30 June				
	2021		2020		
	Revenue	**Gross Profit margin**	Revenue	Gross Profit margin	Revenue % change
	RMB'000	**%**	*RMB'000*	%	
CMS business					
Cosplay costumes	80,405	26.9%	26,067	22.9%	208.5%
Cosplay wigs	9,628	24.8%	31,596	26.6%	(69.5)%
Sexy lingerie	2,117	25.6%	18,685	24.8%	(88.7)%
Others	530	29.3%	4,756	26.5%	(88.9)%
	92,680	26.6%	81,104	25.0%	
OBM business					
Cosplay costumes	7,202	35.4%	19,011	27.8%	(62.1)%
Cosplay wigs	1,561	11.8%	4,394	20.2%	(64.5)%
Sexy lingerie	–	–	11,686	39.1%	(100.0)%
Others	485	24.3%	1,183	23.4%	(59.0)%
	9,248	30.8%	36,274	30.4%	
Total	101,928	27.0%	117,378	26.7%	

Revenue

During the six months ended 30 June 2021, 90.9% (2020: 69.1%) of our total revenue was mainly derived from our CMS business. Our revenue derived from the CMS business increased from approximately RMB81.1 million to approximately RMB92.7 million, representing an increase of approximately 14.3%.

The revenue derived from our OBM business decreased from approximately RMB36.3 million to approximately RMB9.2 million, representing a decrease of approximately 74.5%.

During the period under review, the Group faced one of the worst export trade environments as a result of the continued outbreak of the COVID-19 in our major markets, including the U.S. and the UK. The COVID-19 pandemic continued to cause widespread destruction to global economics. Nearly all countries in the world had to impose various social distancing measures, including locking down cities, ports and even the countries which leaded to very poor consumer sentiment have significantly affected the sales performance of the OBM business.

In view of the above, the Group had shifted part of its production line to non-surgical face mask production. Revenue of approximately RMB44.3 million was generated during the six months ended 30 June 2021 and recorded in cosplay costumes under the CMS business.

Gross profit margin

Our gross profit margin slightly increased from approximately 26.7% to approximately 27.0%. The increase in gross profit margin was mainly due to a higher margin contributed from the sales of non-surgical face mask.

Cost of sales

Our cost of sales mainly comprises 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 RMB3.5 million, from approximately RMB4.5 million to approximately RMB8.0 million. The increase was primarily due to an increase in rental income and utility income from our Party Culture Industrial Park and gain on disposal of financial asset at FVTPL of approximately RMB2.8 million.

Selling expenses

Our selling expenses primarily consist of delivery expenses, staff costs and advertising and marketing expenses. Selling expenses represent approximately 1.7% and 2.3% of the revenue for the six months ended 30 June 2021 and 2020, respectively.

Administrative and other operating expenses

Our administrative and other operating expenses decreased by approximately RMB1.6 million, from approximately RMB35.0 million to approximately RMB33.4 million. The decrease was primarily due to a decrease in research and development cost of approximately RMB1.0 million.

Impairment loss on property, plant and equipment

During the period, impairment loss on property, plant and equipment of approximately RMB4.5 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. There is no significant changes in the assumptions adopted in the valuations.

Finance costs

Our finance costs decreased by approximately RMB0.8 million, from approximately RMB3.5 million to approximately RMB2.7 million. The decrease in finance costs was primarily due to the decrease in payment of interests on other short term borrowings.

Income tax

Our income tax expense increased by approximately RMB0.5 million, from approximately RMB0.7 million to approximately RMB1.2 million. The increased in income tax expenses was mainly due to an increase in deferred tax recognised during the period.

Financial resources and liquidity

As at 30 June 2021, the total amount of cash and cash equivalent of the Group was approximately RMB74.5 million, an increase of approximately RMB25.6 million when compared with that as at 31 December 2020. The increase was mainly arose from the completion of placement of 179,544,600 placing shares of the Company at the placing price of HK$0.175 per placing shares in June 2021 with net proceed of approximately HK$31.0 million.

The borrowings of the Group represented bank and other short term borrowings of approximately RMB81.5 million.

As at 30 June 2021, the current ratio and the gearing ratio were 163.2% and 24.0% respectively. Current ratio is calculated based on total current assets divided by total current liabilities at the end of the financial year and gearing ratio is calculated based on total borrowings and lease liabilities divided by total equity at the end of the financial year.

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

Capital expenditure

During the six months ended 30 June 2021, the Group invested approximately RMB8.1 million in property, plant and equipment.

Pledged of assets

As at 30 June 2021, our bank loans were secured by the Group's right-of-use assets with carrying value of approximately RMB6.8 million (31 December 2020: RMB6.9 million); buildings with carrying value of approximately RMB83.0 million (31 December 2020: RMB93.9 million) and investment properties with carrying value of approximately RMB27.2 million (31 December 2020: RMB24.4 million).

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2021 and 31 December 2020.

Events after the reporting date

Acquisition of patent through acquisition of a subsidiary

On 9 July 2021, the Company entered into a sales and purchase agreement with a third party to acquire a patent by acquiring 75% equity interests in Hmda Culture International Co., Limited, a company incorporated in Hong Kong, for a cash consideration of HK$11,000,000. The transaction was completed on 30 July 2021.

Litigation

On 30 July 2021, the Company and certain former directors and shareholder of the Company have been served with a writ of summon ("**Writ of Summon**") in a legal proceedings brought by a third party in relation to a proposed sale and purchase of the controlling stake in the Company. Details of the litigation have been set out in the Company's announcement dated 6 August 2021. The Company is seeking legal advice in relation to the Writ of Summon but the Board considers that the allegations made in the Writ of Summon against the Company are groundless and without merit.

Foreign currency exposure

Our exposures to currency risk arise from our sales to 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 2021, we had approximately 924 employees. Total staff costs for the period amounted to approximately RMB32.6 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.

Use of proceed

On 21 June 2021, the Company issued 179,544,600 ordinary shares by way of placing at a price of HK$0.175 per share, and the net proceeds from the placing is approximately HK$31.0 million. The net proceeds which are intended to be used for (i) the repayment of part of the principal and interest of the current debts of the Group of approximately HK$15.7 million; and (ii) the general working capital of the Group and acquisition(s) of intellectual properties, which the Group may identify from time to time, in the ordinary and usual course of business of the Group of approximately HK$15.3 million.

As at 30 June 2021, the net proceeds of approximately HK$4.3 million have been used for general working capital of the Group.

For details of the above transactions, please refer to the announcements dated 7 June 2021 and 21 June 2021.

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				
	2021		2020		Increase (decrease) of revenue
	Revenue RMB'000	***% of total***	*Revenue RMB'000*	*% of total*	*(approximate %)*
CMS business	**92,680**	**90.9%**	81,104	69.1%	14.3%
OBM business	**9,248**	**9.1%**	36,274	30.9%	(74.5)%
Total	**101,928**	**100.0%**	117,378	100.0%	(13.2)%

Revenue by operating and reportable segments

	Six months ended 30 June				
	2021		2020		Increase (decrease) of revenue
	Revenue RMB'000	***% of total***	*Revenue RMB'000*	*% of total*	*(approximate %)*
Wigs	**11,189**	**11.0%**	35,990	30.7%	(68.9)%
Clothing and others	**90,739**	**89.0%**	81,388	69.3%	11.5%
Total	**101,928**	**100.0%**	117,378	100.0%	(13.2)%

Loss attributable to the equity holders of the Company for the six months ended 30 June 2021 amounted to approximately RMB5.2 million as compared with a loss attributable to equity holders of the Company of approximately RMB43.3 million for the six months ended 30 June 2020. The Board considers that the aforesaid decrease in loss was primarily attributable to the decrease in recognition of impairment loss on property, plant and equipment of the Group.

INVESTMENT REVIEW

In March 2018, pursuant to a subscription agreement dated 23 February 2018 (the "**Subscription Agreement**"), Unlock Bound Investments Limited (the "**Subscriber**"), a subsidiary of the Company, subscribed for convertible bonds due 15 March 2022 in an aggregate principal amount of HK$70 million (the "**CSG Convertible Bond**") issued by Charm Success Global Investment Limited (the "**CB Issuer**"). As disclosed in the announcement of the Company dated 23 February 2018 (the "**CB Announcement**"), Elite Global Group Limited ("**Elite Global**"), the holding company of the CB Issuer, had entered into a license agreement with Viacom Media Networks, a division of Viacom International Inc. ("**VMN**"), pursuant to which VMN had granted a right (the "**Rights**") to, among others, design, develop, construct, launch and operate and manage a theme park in the PRC as a Nickelodeon themed and branded theme park using the approved licensed property elements (the "**Project**"). According to the Subscription Agreement, the CB Issuer undertakes that the Rights will be novated or assigned by Elite Global Group to Foshan Elite Nickelodeon ("**FEN**"), a subsidiary of the CB Issuer, or a wholly owned subsidiary of the CB Issuer within three months from the date of the Subscription Agreement or such other period as agreed by the CB Issuer and the Subscriber in writing. On the other hand, a deed of guarantee was executed by Elite Global and Ms. Lam Suet Fan, the sole shareholder of Elite Global, as the guarantors to secure the due performance by the CB Issuer of the obligations under the CSG Convertible Bond. For further details about the CSG Convertible Bond, please refer to the CB Announcement.

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

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

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

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

Having considered the continuing default of the Issuer and the chance of recovery of the principal amount and interests of the CSG Convertible Bond, the significant uncertainties from the post-COVID-19 business environment, especially the COVID-19 Pandemic has drastically changed the entire travel and tourism landscape which resulted the expected low ebb for the next several years. On 15 March 2021, the Group and an independent third party entered into the sale and purchase agreement pursuant to which the Group agreed to sell and the independent third party agreed to purchase the CSG Convertible Bond for the cash consideration of HK$10.0 million (equivalent to approximately RMB8.34 million). The Board is of the view that the disposal provides a chance to the Group to mitigate its loss in and exit from the investment in the CSG Convertible Bond. Further, the disposal can generate immediate available funds for the Group. Gain on disposal of approximately RMB2.8 million was recognised during the six months ended 30 June 2021.

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

BUSINESS PROSPECTS

The COVID-19 pandemic has caused severe disruption to economic activities worldwide, the global economy and consumer confidence have been adversely affected. The pandemic has occurred more than a year and has an adverse impact on our 2021 interim financial results and our development plan. The management foresees that there is full of challenging in 2021.

The Group will continue to use its best endeavor to improve the efficiency and effectiveness of its operation. Moreover, the Board will seek opportunities to diversify our business and broaden our revenue stream by acquisition of intellectual property right with potential growth and the collaboration of companies our upstream and downstream industries. The Group will continue to evaluate and identify target companies which have investment value and which can generate synergies with our businesses within the industry and along the industry chain, whit the aim of bringing greater return to shareholders while expanding our business and revenue streams.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021 (30 June 2020: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiary has purchased, redeemed or sold any of the Company's listed securities for the six months ended 30 June 2021.

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 2021.

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 2021 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
Chen Sheng
Chairlady

Hong Kong, 27 August 2021

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