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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1532)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The board of directors (the "**Board**") of China Partytime Culture Holdings Limited 中國派對文化控股有限公司 (the "**Company**") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2021** *RMB'000*	2020 *RMB'000*
Revenue	5	**242,212**	255,252
Costs of sales		**(176,226)**	(190,968)
Gross profit		**65,986**	64,284
Other income	6	**19,534**	14,368
Gain on disposal of a subsidiary		**1,030**	–
Selling expenses		**(5,117)**	(5,574)
Reversal of impairment loss/(impairment loss) on property, plant and equipment, net		**5,249**	(55,377)
Reversal of impairment loss/(impairment loss) on investment properties		**6,421**	(20,000)
Expected credit loss ("**ECL**") allowance on trade receivables	8	**(18,659)**	(526)
ECL allowance on net investment in leases	8	**(112)**	(324)
Fair value (loss)/gain on financial asset at fair value through profit or loss		**(949)**	3,913
Share of loss of associates		**(35)**	–
Administrative and other operating expenses		**(86,657)**	(75,251)
Loss from operations		**(13,309)**	(74,487)
Finance costs	7	**(4,541)**	(6,704)

	Notes	**2021** *RMB'000*	2020 *RMB'000*
Loss before income tax	8	**(17,850)**	(81,191)
Income tax credit	9	**433**	12,754
Loss for the year		**(17,417)**	(68,437)
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operation recognised		**1,558**	282
Other comprehensive income for the year, net of nil tax		**1,558**	282
Total comprehensive expenses for the year		**(15,859)**	(68,155)
(Loss)/profit for the year attributable to:			
– Owners of the Company		**(17,722)**	(68,437)
– Non-controlling interests		**305**	–
		(17,417)	(68,437)
Total comprehensive (expenses)/income for the year attributable to:			
– Owners of the Company		**(16,164)**	(68,155)
– Non-controlling interests		**305**	–
		(15,859)	(68,155)
Loss per share for loss attributable to equity holders of the Company	10	***RMB (cents)***	*RMB (cents)*
Basic		**(1.78)**	(7.62)
Diluted		**(1.78)**	(7.62)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2021** *RMB'000*	2020 *RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Trademark	16	**9,029**	–
Right-of-use assets	12	**7,934**	9,258
Investment properties	13	**78,131**	58,915
Property, plant and equipment	14	**184,261**	217,707
Net investment in leases	15	**9,017**	6,779
Interests in associates		**1,810**	–
Financial asset at fair value through profit or loss ("FVTPL")	19	**–**	5,557
Deferred tax assets		**26,893**	26,172
		317,075	324,388
Current assets			
Inventories	17	**14,814**	14,119
Trade and other receivables	18	**47,788**	67,639
Net investment in leases	15	**7,135**	2,996
Tax recoverable		**679**	2,062
Bank balances and cash		**99,661**	48,908
		170,077	135,724
Current liabilities			
Trade and other payables	20	**20,436**	19,289
Contract liabilities	21	**949**	170
Lease liabilities		**5,739**	2,190
Short term borrowings		**89,327**	81,429
		116,451	103,078
Net current assets		**53,626**	32,646
Total assets less current liabilities		**370,701**	357,034

	Notes	**2021**	2020
		RMB'000	*RMB'000*
Non-current liabilities			
Lease liabilities		**6,161**	5,506
Net assets		**364,540**	351,528
CAPITAL AND RESERVES			
Share capital		**8,847**	7,352
Reserves		**352,328**	344,176
Equity attributable to owners of the Company		**361,175**	351,528
Non-controlling interests		**3,365**	–
Total equity		**364,540**	351,528

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as exempted company on 12 February 2015 with limited liability. The Company's shares are listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). 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 ("**Yichun Development Zone**"), Jiangxi Province, the People's Republic of China ("**PRC**").

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

2. BASIS OF PREPARATION

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

The consolidated financial statements have been prepared on the historical cost except for financial asset at FVTPL which are stated at fair values. The consolidated financial statements is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousands ("**RMB'000**"), except when otherwise indicated.

3. ADOPTION OF NEW AND AMENDED HKFRSs

Amended HKFRSs that are effective for annual periods beginning on or after 1 January 2021

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2021:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The adoption of the amended HKFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

Issued but not yet effective HKFRSs

At the date of this Announcement, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group:

HKFRS 17	Insurance Contracts and related amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[5]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKFRS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKFRS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018 – 2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 Effective date to be determined.
4 Effective for business combination for which the acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
5 Effective for annual periods beginning on or after 1 April 2021.

The directors anticipate that all of the new and amended HKFRSs will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the new and amended HKFRSs. These new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

4. SEGMENT INFORMATION

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

The Group has identified the following reportable segments:

(a) Wigs;

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

(c) Leasing of factory premises (self-owned or held under leasehold interest)

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

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

Segment results represented operating results of each reportable segment without allocation of finance costs (excluded finance charges on lease liabilities), bank interest income, loss on disposal on property, plant and equipment, gain on disposal of a subsidiary, share of loss of associates, unallocated other operating income, unallocated corporate expenses, and income tax credit. All assets are allocated to reportable segments other than bank balances and cash, financial asset at FVTPL, interests in associates and other corporate assets which are not directly attributable to the business activities of any reportable segments. All liabilities are allocated to reportable segments other than corporate liabilities which are not directly attributable to the business activities of any reportable segments.

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

	Year ended 31 December 2021			
	Wigs *RMB'000*	**Clothing and others** *RMB'000*	**Leasing of factory premises** *RMB'000*	**Total** *RMB'000*
Revenue from external customers	**39,263**	**202,949**	**–**	**242,212**
Segment results	**(2,470)**	**18,917**	**4,824**	**21,271**
Finance costs (excluded finance charges on lease liabilities)				**(4,086)**
Bank interest income				**161**
Loss on disposal of property, plant and equipment				**(1,335)**
Share of loss of associates				**(35)**
Gain on disposal of a subsidiary				**1,030**
Fair value loss on financial assets at FVTPL				**(949)**
Unallocated income				**15,898**
Unallocated expenses				**(49,805)**
Loss before income tax				**(17,850)**
Income tax credit				**433**
Loss for the year				**(17,417)**
Other segment items				
Depreciation and amortisation	**5,803**	**19,359**	**13,356**	**38,518**
(Reversal of impairment loss)/impairment loss on property, plant and equipment	**4,999**	**(905)**	**(9,343)**	**(5,249)**
Reversal of impairment loss on investment properties	**–**	**–**	**(6,421)**	**(6,421)**
Capital expenditure	**4,078**	**21,749**	**9,959**	**35,786**
ECL allowance on trade receivables	**3,629**	**15,030**	**–**	**18,659**
ECL allowance on net investment in leases	**–**	**–**	**112**	**112**

	Year ended 31 December 2020			
	Wigs	Clothing and others	Leasing of factory premises	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	75,548	179,704	–	255,252
Segment results	(16,918)	9,819	(32,321)	(39,420)
Finance costs (excluded finance charges on lease liabilities)				(6,489)
Bank interest income				218
Loss on disposal of property, plant and equipment				(173)
Unallocated income				11,477
Unallocated expenses				(46,804)
Loss before income tax				(81,191)
Income tax credit				12,754
Loss for the year				(68,437)
Other segment items				
Depreciation and amortisation	9,985	16,627	9,595	36,207
Provision of impairment loss on property, plant and equipment	26,624	19,980	8,773	55,377
Impairment loss on investment properties	–	–	20,000	20,000
Capital expenditure	52	104	14,156	14,312
ECL allowance on trade receivables	54	472	–	526
ECL allowance on net investment in leases	–	–	324	324

	As at 31 December 2021				
	Wigs	**Clothing and others**	**Leasing of factory premises**	**Unallocated**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Reportable segment assets	**29,389**	**188,654**	**109,028**	**160,081**	**487,152**
Reportable segment liabilities	**2,183**	**14,264**	**12,479**	**93,686**	**122,612**

	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*
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

Geographical information

Information about the Group's revenue by geographical locations presented based on the area or country in which the external customer is operated.

	2021	2020
	RMB'000	*RMB'000*
PRC (place of domicile)	**30,365**	13,819
United States ("**US**")	**162,412**	87,206
Germany	**610**	6,667
United Kingdom ("**UK**")	**6,216**	11,782
Australia	**2,469**	15,760
Holland	**5,021**	14,376
Japan	**11,900**	39,061
Brazil	**–**	10,791
Israel	**238**	7,857
South Korea	**–**	8,961
Greece	**1,278**	6,925
Others	**21,703**	32,047
	211,847	241,433
	242,212	255,252

The Group's non-current assets, other than net investment in leases, financial asset at fair value through profit or loss and deferred tax assets, are substantially located in the PRC.

Information about major customers

During the year ended 31 December 2021, RMB83,680,000 or 35% (2020: RMB28,115,000 or 11%) of the Group's revenue was derived from a single customer of the Group.

As at 31 December 2021, 29% (2020: 18%) of the Group's trade receivables was due from this customer.

5. REVENUE

The Group's principal activities are disclosed in note 1 to this Announcement. Revenue of the Group is the revenue from these activities and represents the net invoiced value of goods sold.

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

	2021	2020
	RMB'000	*RMB'000*
Wigs	**39,263**	75,548
Clothing and others	**202,949**	179,704
	242,212	255,252

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 and service lines are as follow:

	2021	2020
	RMB'000	*RMB'000*
Contract Manufacturing Services ("CMS") business		
Cosplay costumes	**162,040**	58,202
Cosplay wigs	**32,090**	57,332
Sexy lingerie	**5,422**	45,136
Others	**912**	6,738
	200,464	167,408
Original Brand Manufacturing ("OBM") business		
Cosplay costumes	**24,747**	49,184
Cosplay wigs	**7,173**	18,216
Sexy lingerie	**7,701**	19,256
Others	**2,127**	1,188
	41,748	87,844
	242,212	255,252

6. OTHER INCOME

	2021	2020
	RMB'000	*RMB'000*
Bank interest income	**161**	218
Government grant *(note)*	**1,081**	3,100
Rental income from operating leases of plant and machineries		
– Lease payments that are fixed	**1,456**	1,645
Rental income from operating leases of investment properties		
– Lease payments that are fixed	**2,860**	2,650
Income relating to net investment in leases		
– Finance lease income	**616**	1,129
Subcontracting income	**1,787**	1,019
Utility income	**3,810**	1,795
Gain on recognition of net investment in leases	**4,246**	2,807
Gain on disposal of financial asset at FVTPL	**2,835**	–
Others	**682**	5
	19,534	14,368

Note: The Group was entitled to receive (1) subsidies from the local government authorities for research and development activities conducted in Yiwu and (2) specific funds in the Yichun Development Zone.

7. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interest on bank and other short term borrowings	**4,086**	6,489
Finance charges on lease liabilities	**455**	215
	4,541	6,704

8. LOSS BEFORE INCOME TAX

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

	2021	2020
	RMB'000	*RMB'000*
Auditors' remuneration	**1,283**	983
Cost of inventories recognised as an expense	**114,954**	142,004
Depreciation		
– Property, plant and equipment	**31,697**	33,828
– Investment properties	**3,437**	1,665
– Right-of-use assets	**200**	651
Amortisation of trademark	**3,184**	63
Loss on disposal of property, plant and equipment	**1,335**	173
(Reversal of impairment loss)/impairment loss on property, plant and equipment, net	**(5,249)**	55,377
(Reversal of impairment loss)/impairment loss on investment properties	**(6,421)**	20,000
Lease payments not included in the measurement of lease liabilities	**64**	75
Income relating to net investment in leases	**(616)**	(1,129)
Fair value loss/(gain) on financial asset at FVTPL *(note (b))*	**949**	(3,913)
ECL allowance on trade receivables	**18,659**	526
ECL allowance on net investment in leases	**112**	324
Exchange loss, net	**1,732**	6,666
Research and development cost	**21,602**	18,639
Government grant	**(1,081)**	(3,100)
Staff costs		
– Salaries, allowances and other benefits	**66,369**	52,995
– Contributions to defined contribution retirement plans *(note (a))*	**4,092**	2,983
	70,461	55,978

Note (a): The Group was entitled to be exempted from certain contributions to defined contribution retirement plans from the local government authority in the PRC for the year ended 31 December 2020.

Note (b): On 1 February 2021, the Company entered into a Cooperation Agreement with two independent third parties to establish Shenzhen Xiaomanshuibei Jewelry Supply Chain Co., Ltd ("**Xiaomanshuibei**"), a limited company established in the PRC. The Company has contributed RMB1,000,000 to Xiaomanshuibei, and holds 10% of equity interest. Xiaomanshuibei was deregistered on 31 December 2021.

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.

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

	2021
	RMB'000
At date of establishment	**1,000**
Fair value loss	**(949)**
Proceed on deregistration	**(51)**
Fair value at 31 December	**–**

9. INCOME TAX CREDIT

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year ended 31 December 2021 (2020: nil).

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.

	2021	2020
	RMB'000	*RMB'000*
Current tax		
Current year – PRC enterprise income tax	**288**	25
Deferred tax	**(721)**	(12,779)
Income tax credit	**(433)**	(12,754)

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. From December 2020 onwards, Partytime Group Co., Ltd, Partytime Costume & Lingerie (Yiwu) Factory and Yiwu Styler Cultural & Creative Co., Ltd 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. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to equity holders of the Company of RMB17,722,000 (2020: RMB68,437,000) and the weighted average 993,152,000 (2020: 897,723,000) ordinary shares in issue during the year ended 31 December 2021.

No diluted loss per share has been presented for the year ended 31 December 2021 as there was no dilutive share outstanding during the year (2020: nil).

11. DIVIDENDS

No dividend was paid or proposed during 2021 nor has any dividend been proposed since the end of reporting period (2020: nil).

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	(239)	(412)	(651)
Transfer to investment properties	(714)	(374)	(1,088)
Carrying amount as at 31 December 2020	9,258	–	9,258
Carrying amount as at 1 January 2021	**9,258**	**–**	**9,258**
Depreciation	**(200)**	**–**	**(200)**
Transfer to investment properties	**(1,124)**	**–**	**(1,124)**
Carrying amount as at 31 December 2021	**7,934**	**–**	**7,934**

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

As at 31 December 2021, the Group's right-of-use assets amounting to RMB5,637,000 (2020: RMB6,922,000) were pledged to secure bank loans.

13. INVESTMENT PROPERTIES

	2021 *RMB'000*	2020 *RMB'000*
Investment properties	**78,131**	58,915

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

	2021 *RMB'000*	2020 *RMB'000*
Carrying amount at 1 January	**58,915**	20,754
Addition	**9,593**	10,893
Transferred from right-of-use assets	**1,124**	1,088
Transferred from property, plant and equipment	**15,108**	59,112
Depreciation	**(3,437)**	(1,665)
Transferred to net investment in leases	**(9,593)**	(11,267)
Reversal of impairment loss/(impairment loss)	**6,421**	(20,000)
Carrying amount at 31 December	**78,131**	58,915

	2021	2020
	RMB'000	*RMB'000*
Cost	**115,692**	99,460
Accumulated depreciation and impairment	**(37,561)**	(40,545)
Carrying amount	**78,131**	58,915

At 31 December 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 premises CGU was RMB102,184,000 (2020: RMB83,700,000). The fair value as at 31 December 2021 has been arrived based on a valuation carried by an independent professional qualified valuer Graval Consulting Limited. The reversal of impairment loss of RMB6,421,000 (2020: impairment loss of RMB20,000,000) was determined by comparing carrying amounts of the investment properties, together with the relevant leasehold improvement, to the above fair value as at 31 December 2021. The management estimated the recoverable amounts and recognised relevant reversal of impairment loss as a result of the increased rental value in 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 are ranging from RMB13 to RMB15 (2020: RMB12 to RMB15) per square meter and from 6.0% to 6.5% (2020: 6.0% to 6.5%) as at year ended 31 December 2021 respectively. 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 the greatest for rental values and that there is an interrelationship between these inputs.

The investment properties represent self-owned factory premises held under medium term leasehold land located in the PRC and are depreciated on a straight-line basis over the term of the lease.

As at 31 December 2021, bank loans are secured by investment properties with a carrying value of RMB31,164,000 (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*	Construction in progress *RMB'000*	Total *RMB'000*
Cost							
As at 1 January 2020	210,213	35,929	3,690	5,127	145,745	79,672	480,376
Additions	–	–	157	–	202	3,060	3,419
Transfer	70,580	520	–	–	11,632	(82,732)	–
Transfer to investment properties	(59,380)	–	–	–	–	–	(59,380)
Disposals	–	(986)	–	(138)	–	–	(1,124)
As at 31 December 2020	221,413	35,463	3,847	4,989	157,579	–	423,291
As at 1 January 2021	**221,413**	**35,463**	**3,847**	**4,989**	**157,579**	**–**	**423,291**
Additions	**6,608**	**1,701**	**625**	**32**	**3,022**	**–**	**11,988**
Additions through acquisition of subsidiaries	**–**	**–**	**77**	**70**	**–**	**–**	**147**
Transfer to investment properties	**(19,959)**	**–**	**–**	**–**	**–**	**–**	**(19,959)**
Disposal of a subsidiary	**–**	**(461)**	**(844)**	**(346)**	**–**	**–**	**(1,651)**
Disposals	**–**	**(7,055)**	**(103)**	**(27)**	**–**	**–**	**(7,185)**
As at 31 December 2021	**208,062**	**29,648**	**3,602**	**4,718**	**160,601**	**–**	**406,631**
Accumulated depreciation and impairment							
As at 1 January 2020	34,860	15,457	2,686	3,633	60,875	–	117,511
Charge for the year	5,164	3,015	330	531	24,788	–	33,828
Transfer to investment properties	(268)	–	–	–	–	–	(268)
Written back on disposal	–	(735)	–	(129)	–	–	(864)
Impairment loss	36,279	1,676	201	198	17,023	–	55,377
As at 31 December 2020	76,035	19,413	3,217	4,233	102,686	–	205,584
As at 1 January 2021	**76,035**	**19,413**	**3,217**	**4,233**	**102,686**	**–**	**205,584**
Charge for the year	**6,552**	**2,372**	**191**	**332**	**22,250**	**–**	**31,697**
Transfer to investment properties	**(4,851)**	**–**	**–**	**–**	**–**	**–**	**(4,851)**
Disposal of a subsidiary	**–**	**(388)**	**(717)**	**(220)**	**–**	**–**	**(1,325)**
Written back on disposal	**–**	**(3,363)**	**(98)**	**(25)**	**–**	**–**	**(3,486)**
Impairment loss/(reversal of impairment loss)	**986**	**(132)**	**(7)**	**(21)**	**(6,075)**	**–**	**(5,249)**
As at 31 December 2021	**78,722**	**17,902**	**2,586**	**4,299**	**118,861**	–	**222,370**
Net book amount							
As at 31 December 2021	**129,340**	**11,746**	**1,016**	**419**	**41,740**	–	**184,261**
As at 31 December 2020	145,378	16,050	630	756	54,893	–	217,707

As at 31 December 2021, the Group's buildings amounting to RMB76,933,000 (2020: RMB93,890,000) were pledged to the banks to secure the bank loans granted to the Group.

Plant and machineries leased out under operating leases

The Group entered into an arrangement to lease certain plant and machineries to a third party for a period of 5 years. There are no early termination option, with an option to renew the lease term at the expiry date. The Group considered that the lease arrangement is an operating leases and the movement of the plant and machineries are detailed as below:

	Plant and machineries *RMB'000*
Cost	
As at 1 January 2020, 31 December 2020	13,248
Disposal	(6,367)
As at 31 December 2021	**6,881**
Depreciation	
At 1 January 2020	2,809
Charge for the year	1,259
As at 31 December 2020	4,068
As at 1 January 2021	4,068
Charge for the year	1,108
Disposal	(2,723)
As at 31 December 2021	**2,453**
Net book amount	
As at 31 December 2021	**4,428**
As at 31 December 2020	9,180

At 31 December 2021, the recoverable amounts of the Group's property, plant and equipment, determined using income approach, attributable to wigs CGU and clothing and others CGU were RMB18,000,000 and RMB142,000,000 (2020: RMB48,000,000 and RMB145,000,000) respectively. The recoverable amounts as at 31 December 2021 has been arrived based on a value in use estimation carried out by an independent, professional qualified valuer Roma Appraisals Limited.

The recoverable amounts of the Group's property, plant and equipment are determined using income approach which adopted the discounted cash flow method, net of future cash outflow, using a discount rate of weighted average cost of capital. When actual cash flow differs materially from the estimated cash flow, adjustments have been made to the estimated value in use.

The most significant inputs, all of which are unobservable, are the selling price growth rate, terminal growth rate, gross profit ratio and discount rate. The selling price growth rate, terminal growth rate, gross profit ratio and discount rate for wigs CGU and clothing and other CGU adopted are 1%–3% and 2% (2020: 1%–3% and 3%), 2.2% and 2.2% (2020: 2.2% and 2.2%), 27%–29% and 30%–32% (2020: 25%–28% and 27%–32%) and 17.35% and 17.35% (2020: 16.41% and 16.41%) for the year ended 31 December 2021 respectively. The estimated value in use increases if the estimated cash flow increases or if discount rate (weighted average cost of capital) decline. The management estimated the recoverable amounts and recognised relevant impairment loss in wigs segment and recognised relevant reversal of impairment loss in clothing and others segment as a result of the general economic uncertainty in wigs and sales growth in clothing and others. The overall valuations are sensitive to all assumptions. Management considers the range of reasonably possible alternative assumptions is the greatest for value in use and that there is an interrelationship between these inputs.

15. NET INVESTMENT IN LEASES

The maturity analysis of the undiscounted lease payments receivables from finance leases are as follows:

	2021	2020
	RMB'000	*RMB'000*
Gross investment in leases		
– Within one year	**7,947**	3,444
– After first year but within second years	**9,413**	3,552
– After second year but within third years	**–**	3,665
	17,360	10,661
Less: Unearned finance income	**(1,208)**	(886)
Net investment in leases	**16,152**	9,775
Present value of investment in leases		
– Within one year	**7,135**	2,996
– After first year but within second years	**9,017**	3,252
– After second year but within third years	**–**	3,527
	16,152	9,775
Less: portion due within one year included under current assets	**(7,135)**	(2,996)
Portion due after one year included under non-current assets	**9,017**	6,779

Net investment in leases represented:

	2021	2020
	RMB'000	*RMB'000*
Gross amount of net investment in leases	**16,588**	10,099
ECL allowance on net investment in leases	**(436)**	(324)
	16,152	9,775

The Group entered into two (2020: two) lease contracts for certain factory premises for an initial period of three years and three months (2020: four years and two years) for the year ended 31 December 2021. As at 31 December 2021 and 2020, all leased factory premises are subleased to third parties for rental purposes. The relevant lease liabilities at date of commencement was RMB9,593,000 (2020: RMB10,893,000). As at 31 December 2021, the subleases are under nine sublease arrangements (2020: the subleases are under eight sublease arrangements).

As at 31 December 2021, the net investment in leases represent nine sublease arrangements entered by the Group with the sub-lessees in respect of factory premises typically run for an initial period of three years and four years (2020: eight sublease arrangements typically run for an initial period of nine months to four years). The sub-leases do not include contingent rentals and variable lease payments. The subleases are entered with the same terms of the respective head-leases and the gain from the recognition of the net investment in leases from the head leases is included in “other income” on the face of the consolidated statement of profit or loss and other comprehensive income.

The movements in the ECL allowance of net investment in leases, is as follows:

	2021	2020
	RMB'000	*RMB'000*
At 1 January	**324**	–
ECL allowance recognised during the year	**112**	324
At 31 December	**436**	324

16. TRADEMARK

	Trademark
	RMB'000
Cost	
As at 1 January 2020, 31 December 2020 and 1 January 2021	500
Addition	12,213
As at 31 December 2021	12,713
Accumulated amortisation	
As at 1 January 2020	437
Charge for the year	63
As at 31 December 2020	**500**
Change for the year	3,184
As at 31 December 2021	**3,684**
Net book amount	
As at 31 December 2021	**9,029**
As at 31 December 2020	–

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

17. INVENTORIES

	2021 *RMB'000*	2020 *RMB'000*
Raw materials	**12,856**	12,748
Work in progress	**1,221**	961
Finished goods	**737**	410
	14,814	14,119

18. TRADE AND OTHER RECEIVABLES

	2021 *RMB'000*	2020 *RMB'000*
Trade receivables		
– from third parties	**55,826**	62,807
Less: ECL allowance	**(19,355)**	(696)
	36,471	62,111
Deposits, prepayments and other receivables		
Prepayments	**6,033**	2,402
Other tax receivables	**1,518**	2,080
Deposits	**1,380**	1,004
Other receivables	**2,386**	42
	11,317	5,528
	47,788	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 (2020: 45 to 60 days). Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

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

	2021 *RMB'000*	2020 *RMB'000*
0–30 days	**26,285**	9,272
31–60 days	**5,821**	7,752
61–90 days	**155**	7,781
91–365 days	**4,210**	37,306
	36,471	62,111

As at 31 December 2021, ECL allowance of RMB19,355,000 (2020: RMB696,000) was recognised.

The ECL rate for trade receivables as at 31 December 2021 and 2020 was determined as follows:

	2021	2020
0–30 days	**1.26%**	1.29%
31–60 days	**1.89%**	1.93%
61–90 days	**2.92%**	2.98%
91–365 days	**4.54%**	4.64%
Over 365 days	**100%**	–

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

	2021	2020
	RMB'000	*RMB'000*
At 1 January	**696**	170
ECL allowance recognised during the year	**18,659**	526
At 31 December	**19,355**	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.

19. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	RMB'000	*RMB'000*
Unlisted convertible bond *(Note)*	**–**	5,557

Note:

On 23 February 2018, Unlock Bound Investments Limited ("**Unlock Bound**"), a wholly-owned subsidiary of the Group, subscribed for a convertible bond with a principal of HK$70,000,000 (equivalent to RMB56,693,000) ("**CSG Convertible Bond**") with annual coupon of 6%, issued by Charm Success Global Investment Limited ("**CSG**"), an independent third party. CSG is an unlisted company incorporated in the British Virgin Islands 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 the 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 2020, CSG failed to pay the annual coupon interest as stipulated in the subscription agreement and the CSG Convertible Bond becomes default. 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. During the year ended 31 December 2021, the Group disposed the financial asset at FVTPL at a consideration of HK$10,000,000 (equivalent to RMB8,340,000).

The movement of the CSG Convertible Bond during the year is set out below:

	2021	2020
	RMB'000	*RMB'000*
Fair value at 1 January	**5,557**	1,969
Fair value gain	**–**	3,913
Disposal	**(5,505)**	–
Exchange adjustments	**(52)**	(325)
Fair value at 31 December	**–**	5,557

As the annual coupon interest was past due and defaulted, no interest income was recognised for the years ended 31 December 2021 and 2020.

20. TRADE AND OTHER PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables		
– To third parties	**9,136**	9,144
Accrued charges and other payables		
– Salaries payables	**6,362**	3,395
– Other tax payables	**1,400**	717
– Other payables	**3,538**	6,033
	11,300	10,145
	20,436	19,289

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

	2021	2020
	RMB'000	*RMB'000*
0–30 days	**9,136**	9,144

21. CONTRACT LIABILITIES

	2021	2020
	RMB'000	*RMB'000*
Contract liabilities arising from receiving deposits of manufacturing orders	**949**	170

When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of a contract until the revenue recognised on the contract exceeds the amount of the deposit.

All the outstanding contract liabilities at beginning of the year have been recognised as revenue during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

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 which include mainly sexy lingerie. Our products are principally for export sales to more than 10 countries and regions around the globe including mainly the US, Germany, the UK, Japan and Australia.

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

	2021		2020		Increase (decrease) of revenue (approximate %)
	Revenue *RMB'000*	**% of total**	Revenue *RMB'000*	% of total	
CMS business	**200,464**	**82.8%**	167,408	65.6%	19.7%
OBM business	**41,748**	**17.2%**	87,844	34.4%	(52.5%)
Total	**242,212**	**100.0%**	255,252	100.0%	(5.1%)

Revenue by operating and reportable segments

	2021		2020		Increase (decrease) of revenue (approximate %)
	Revenue *RMB'000*	**% of total**	Revenue *RMB'000*	% of total	
Wigs	**39,263**	**16.2%**	75,548	29.6%	(48.0%)
Clothing and others	**202,949**	**83.8%**	179,704	70.4%	12.9%
Total	**242,212**	**100.0%**	255,252	100.0%	(5.1%)

Our revenue from both the CMS business and the OBM business decreased from RMB255.3 million for the year ended 31 December 2020 to RMB242.2 million for the year ended 31 December 2021, representing a decrease of 5.1%.

To 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 and the lease period of the Park was subsequently renewed for a further three years during the year. 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 Group further entered into a lease agreement for the Feifeng Road Premises, located near the Group's existing Park ("**Feifeng Road Premises**") in September 2020, to expand the Park. The Group had sub-lease the Park and the Feifeng Road Premises to the companies of the Group's upstream and downstream industries.

For the factory buildings at our Yiwu Production Plant and Yichun Production Plant, in view of the uncertain foreign trade environment caused by the COVID-19, the Group had sub-leased part of the Yiwu Production Plant during the year and Yichun Production Plant in 2020 to other local enterprises. Consequently, the portion being sub-leased for the Yiwu Production Plant and the Yichun Production Plant were being reclassified as investment properties at cost model. As at 31 December 2021, 65% (2020:35%) of the gross floor areas were sub-leased. The Group is actively looking for tenants and the management believe that sub-leasing the Yiwu Production Plant and the Yichun Production Plant help to utilize the assets of the Group.

Gross income from leasing of factory premises of approximately RMB4,932,000 (2020: RMB5,424,000) (including the lease of plant and machineries) were recognized during the year and included in other income on the face of the consolidated statement of profit or loss and other comprehensive income.

During the year, the Group established an associate company with independent third parties and it is intended that this associate company will be principally engaged in cultural tourism development and related project planning consultation business. The development of the cultural tourism business of the associate company will create synergies with the Group's development of cultural products in the Park which will be beneficial to the development of the Group's business as a whole.

Loss attributable to the equity holders of the Company decreased from approximately RMB68.4 million for the year ended 31 December 2020 to approximately RMB17.7 million for the year ended 31 December 2021.

FINANCIAL REVIEW

Revenue and Gross Profit

	2021		2020		
	Revenue	**Gross Profit margin**	Revenue	Gross Profit margin	Revenue % change
	RMB'000		*RMB'000*		
CMS business					
Cosplay costumes	**162,040**	**26.7%**	58,202	21.8%	178.4%
Cosplay wigs	**32,090**	**26.9%**	57,332	25.5%	(44.0%)
Sexy lingerie	**5,422**	**25.2%**	45,136	24.3%	(87.9%)
Others	**912**	**26.2%**	6,738	24.4%	(86.5%)
	200,464	**26.6%**	167,408	23.8%	19.7%
OBM business					
Cosplay costumes	**24,747**	**30.8%**	49,184	31.7%	(49.70%)
Cosplay wigs	**7,173**	**16.2%**	18,216	24.6%	(60.6%)
Sexy lingerie	**7,701**	**25.9%**	19,256	21.0%	(60.0%)
Others	**2,127**	**76.3%**	1,188	23.4%	79.0%
	41,748	**30.1%**	87,844	27.8%	(52.5%)
Total	**242,212**	**27.2%**	255,252	25.2%	(5.1%)

Revenue

CMS Business

During the year ended 31 December 2021, our revenue derived mainly from our CMS business, representing approximately 82.8% (2020: 65.6%) of the total revenue. Revenue derived from the CMS business increased from approximately RMB167.4 million in 2020 to approximately RMB200.5 million in 2021, representing an increase of approximately 19.7%.

OBM Business

The revenue derived from our OBM business decreased from approximately RMB87.8 million in 2020 to approximately RMB41.8 million in 2021, representing a decrease of approximately 52.5%.

During the year 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., the UK and the Australia. 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, which include locking down cities, ports and even the countries. These measures led to very poor consumer sentiment and have significantly affected sales performance of the CMS and OBM business. To overcome these challenges, the Group had broadened our customer base by expanding our business in the PRC market, which contributed 12.5% of revenue for the year ended 31 December 2021 (31 December 2020: 5.4%).

After the recovery of the U.S. economy in the second half year of 2021, the performance of the U.S. market rebounded, and the U.S. continued to be our biggest market in 2021, contributing 67% of the revenue for the year ended 31 December 2021 (31 December 2020: 34.2%).

The Group had shifted part of its production line to non-surgical face mask production. Revenue of approximately RMB51.1 million was generated during the year and recorded in cosplay costumes under the CMS business.

Leasing Business

Our Park, Centre and Feifeng Road Premises were sub-leased to companies in the relevant industries with the aim to integrate the design and development of cultural products, internet celebrity, creative design, research and development and supply chain of the whole industrial chain. The Group also sub-leased part of the Yiwu Production Plant and the Yichun Production Plant to other local enterprises with the view to better utilize the assets of the Group. Gross income from leasing of these premises (including the rental income from leasing of plant and machineries) of approximately RMB4,932,000 (2020: RMB5,424,000) were recognized during the year and included in “other income” in the consolidated statement of profit or loss and other comprehensive income.

Gross profit margin

Our gross profit margin increased from approximately 25.2% in 2020 to approximately 27.2% in 2021. The increase in the gross profit margin was mainly due to a higher margin contributed from the sales of non-surgical face mask.

Cost of sales

The costs of sales decreased by approximately RMB14.8 million, from approximately RMB191.0 million in 2020 to approximately RMB176.2 million in 2021.

Our cost of sales mainly comprised raw material cost, direct labor cost and manufacturing overhead. Manufacturing overhead includes subcontracting payments, utilities and social insurance for our production staff and other miscellaneous items.

Other income

Our other income increased by approximately RMB5.1 million, from approximately RMB14.4 million in 2020 to approximately RMB19.5 million in 2021. The increase was primarily due to the increase in gain on recognition of net investment in leases of approximately RMB1.4 million, utility income from our leasing of factory premises of approximately RMB2.1 million and gain on disposal of financial asset at FVTPL of approximately 2.8 million during the year.

Selling expenses

Our selling expenses decreased by approximately RMB0.5 million, from approximately RMB5.6 million in 2020 to approximately RMB5.1 million in 2021. The decrease was primarily due to the decrease in transportation expense of approximately RMB1.0 million.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately RMB11.4 million, from approximately RMB75.3 million in 2020 to approximately RMB86.7 million in 2021. The increase was primarily due to an increase in research and development cost of approximately RMB3.0 million, staff related cost of approximately RMB2.0 million, utilities expenses related to our sub-leased properties of approximately RMB2.5 million, and offset by a decrease in exchange loss of approximately RMB4.9 million.

(Reversal of impairment loss)/Impairment loss on property, plant and equipment

During the year ended 31 December 2020, impairment loss on property, plant and equipment of approximately RMB55.4 million was recognized as a result of the continuous drop in the turnover which in turn reduced the recoverable amount of the property, plant and equipment. Reversal of impairment loss of approximately RMB5.2 million was recognized during the year by comparing the recoverable amount of the property, plant and equipment to its carrying amount.

(Reversal of impairment loss)/Impairment loss on investment properties

We have leased/sub-leased to third parties some factory premises, thus these factory premises were being reclassified as investment properties at cost model. Reversal of impairment loss of approximately RMB6.4 million (2020: impairment loss of approximately RMB20.0 million) was recognized during the year by comparing the fair value of the investment properties to its carrying amounts.

The Group has determined the impairment loss of property, plant and equipment and investment properties based on the recoverable amount of the cash-generating units ("**CGU**") with property, plant and equipment and investment properties allocated respectively. The Group had engaged independent professional qualified valuers Graval Consulting Limited to perform the independent valuation on the investment properties and Roma Appraisal Limited to perform independent valuation on the CGUs of the property, plant and equipment allocated for the years ended 31 December 2021 and 2022.

The details of the key inputs and assumptions adopted in the valuations relating to the property, plant and equipment and investment properties are set out in notes 13 and 14 to this announcement. There are no significant changes in the assumption adopted in the valuations.

ECL allowance of trade receivables

As a result of the pandemic, our customers have generally experienced a deterioration in their financial position. With the increase in potential default risk by our customers, we recognised an impairment loss on trade receivables of approximately RMB18.7 million in 2021 (2020: RMB0.5 million).

Finance costs

Our finance costs decreased by approximately RMB2.2 million, from approximately RMB6.7 million in 2020 to approximately RMB4.5 million in 2021. The decrease was mainly due to the repayment of unsecured borrowings which bore higher interest rate during the year.

Share of loss of associates

Share of loss of associates relates to the Group's associates established during the year and for the purpose of developing the cultural tourism business. The Group's share of loss of associates for the year was approximately RMB35,000.

Income tax

Our income tax credit decreased by approximately RMB12.3 million, from approximately RMB12,754,000 in 2020 to approximately RMB433,000 in 2021. The decrease in tax credit was primarily due to the decrease in deferred tax recognised on impairment loss on assets during the year.

Financial resources and liquidity and capital structure

As at 31 December 2021, the total amount of bank balances and cash of the Group was approximately RMB99.7 million, an increase of approximately RMB50.8 million when compared with that as at 31 December 2020. The increase arose mainly from the increase in borrowings of approximately RMB7.9 million, proceed from placing of new shares of approximately HK$31.0 million (approximately RMB26.2 million) and proceed from disposal of financial assets at FVTPL of approximately RMB8.3 million during the year.

The borrowings of the Group represented bank and other short term borrowings of approximately RMB89.3 million.

As at 31 December 2021, the current ratio and the gearing ratio were 146.1% and 27.8% 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 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.

The share capital of the Company only comprises of ordinary shares. As at 31 December 2021, the Company's number of issued ordinary shares was 1,077,267,600 ("**Share(s)**") (2020: 897,723,000 Shares). During the year, the Company has completed the placing of new shares, further details are set out under the "Placing of New Shares and Use of Proceed".

Capital expenditure

During the year ended 31 December 2021, the Group invested approximately RMB12.2 million in property, plant and equipment, approximately RMB9.6 million in investment properties, approximately RMB12.2 million in trademark and approximately RMB1.8 million in investment in associates.

Pledged of assets

As at 31 December 2021, our bank loans were secured by the Group's right-of-use assets, buildings and investment properties with carrying value of approximately RMB5.6 million, RMB76.9 million and RMB31.2 million respectively.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2021.

Foreign currency exposure

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

Human resources

As at 31 December 2021, we had approximately 566 employees (31 December 2020: 556). Total staff costs for the year amounted to approximately RMB70.5 million (2020: RMB56.0 million).

Remuneration policy

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

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

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

Placing of new shares and 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, representing approximately 16.67% of the issued share capital of the Company immediately after completion of the placing. These shares have been successfully placed to not less than six placees.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the placees and where appropriate, their respective ultimate beneficial owners is an independent third party, and none of the placees has become a substantial shareholder (as defined in the Rules Governing the Listing of Securities on the Stock Exchange) immediately upon completion of the placing.

The placing price of HK$0.175 per share represents a discount of approximately 9.3% to the closing price of HK$0.193 per share as quoted on the Stock Exchange on 4 June 2021 (being the date of the placing agreement) and a discount of approximately 19.7% to the average closing price of approximately HK$0.218 per share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to 4 June 2021 (being the date of the placing agreement).

The placing shares have a nominal value of HK$1,795,446 and a market value of HK$35,908,920 based on the closing price of HK$0.20 per Share on 18 June 2021, being the last trading day prior to the completion of the placing took place. The net price per Placing Share was approximately HK$0.173.

The net proceeds from the Placing, after deduction of the professional fee and other related expenses, are approximately HK$31.0 million 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 31 December 2021, the net proceeds of approximately HK$15.7 million have been used to repay part of the principal and interests of the borrowings of the Group; approximately HK$4.3 million have been used for general working capital of the Group and approximately HK$11.0 million have been used to acquire intellectual properties.

For details of the placing of new shares, please refer to the announcements dated 7 June 2021 and 21 June 2021.

Litigation

On 30 July 2021, the Company and certain former Directors and a 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 involving an alleged memorandum of understanding (the "**MOU**").

On 16 November 2021, an amended writ of summons ("**Amended Writ of Summons**") and the statement of claim (the "**Statement of Claim**") in relation to the MOU which was supplemented by a supplemental memorandum of understanding dated 9 September 2016 ("**Supplemental MOU**", together with the MOU, the "**MOUs**") were served on the Company.

Details of the litigation have been set out in the Company's announcement dated 6 August 2021 and 19 November 2021.

The Company is seeking legal advice in relation to the Amended Writ of Summon and the Statement of Claim but the Board considers that the allegations made in the Amended Writ of Summon and the Statement of Claim against the Company are groundless and without merit.

The Board takes the view that the litigation in relation to the Amended Writ of Summons and the Statement of Claim has no material impact on the business and finance of the Company.

The Company will update the shareholders and potential investors on material developments regarding the above litigation when appropriate in compliance with the Listing Rules and the SFO.

INVESTMENT REVIEW

Investment in unlisted convertible bond

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 pandemic 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 pandemic 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 year ended 31 December 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.

Acquisition of intellectual properties

As disclosed in the 2020 annual report of the Company, the Group will continue to focus on expanding our business by broadening our customer base by expanding our OBM business in the PRC market and seek cooperation with other intellectual property right owners. During the year, the Group acquired 75% equity interests in Hmda Culture International Co., Limited and its subsidiary (the "**Hmda Group**"), from an independent third party at a cash consideration of HK$11.0 million. Hmda Group held a trademark license which the Group considered the acquisition can broaden its assets and earning base. This transaction was accounted for as acquisition of assets rather than as business combinations because Hmda Group did not carry out any significant business transactions prior to the date of acquisition.

PROSPECTS

The Covid-19 pandemic has caused severe disruption to economic activities worldwide and the global economy and consumer confidence have been adversely affected. The pandemic has lasted for more than 2 years and has an adverse impact on our development plan. Looking forward, 2022 will remain challenging amid the fluidity of the COVID-19 situation and economic uncertainties.

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 acquiring intellectual property right with potential growth and collaborating with companies in 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 business within the industry and along the industry chain, with the aim of bringing greater return to shareholders while expanding our business and revenue streams.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Monday, 6 June 2022 to Friday, 10 June 2022, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's transfer office and share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 2 June 2022.

CORPORATE GOVERNANCE REPORT

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 year ended 31 December 2021.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors had compiled with the required standard set out in the Model Code throughout year ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2021.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 7 August 2015 with written terms of reference in compliance with the CG code, and currently comprises three Independent Non-executive Directors, namely Mr. Zheng Jin Min (as chairman), Mr. Chen Wen Hua and Ms. Peng Xu. The primary duties of the Audit Committee are to review the financial reporting process and internal control and risk management systems of the Group. The Audit Committee has reviewed the Company's annual results for the year ended 31 December 2021 in conjunction with the Company's external auditor.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2021 have been agreed by the Group's Auditor, Grant Thornton Hong Kong Limited ("**Grant Thornton**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Grant Thornton in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS AND 2021 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange and the Company, and the 2021 annual report of the Company for the year ended 31 December 2021 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
China Partytime Culture Holdings Limited
Chen Sheng
Chairlady

Hong Kong, 30 March 2022

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