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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 2022

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 2022, together with the comparative figures for the year ended 31 December 2021, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	5	301,113	242,212
Costs of sales		<u>(226,055)</u>	<u>(176,226)</u>
Gross profit		75,058	65,986
Other income	6	21,634	19,534
Gain on disposal of a subsidiary		–	1,030
Share of loss of associates		(212)	(35)
Selling expenses		(5,542)	(5,117)
Reversal of impairment loss on property, plant and equipment, net		–	5,249
Reversal of impairment loss on investment properties		–	6,421
Expected credit loss (“ ECL ”) allowance on trade receivables	8	(1,426)	(18,659)
Reversal of ECL allowance/(ECL allowance) on net investment in leases	8	299	(112)
Fair value loss on financial asset at fair value through profit or loss		–	(949)
Change in fair value of contingent consideration		(454)	–
Administrative and other operating expenses		<u>(95,665)</u>	<u>(86,657)</u>
Loss from operations		(6,308)	(13,309)
Finance costs	7	<u>(4,618)</u>	<u>(4,541)</u>

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Loss before income tax	8	(10,926)	(17,850)
Income tax (expense)/credit	9	(3,685)	433
Loss for the year		<u>(14,611)</u>	<u>(17,417)</u>
Other comprehensive (expense)/income:			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operation recognised		<u>(1,393)</u>	<u>1,558</u>
Other comprehensive (expense)/income for the year, net of nil tax		<u>(1,393)</u>	<u>1,558</u>
Total comprehensive expenses for the year		<u>(16,004)</u>	<u>(15,859)</u>
(Loss)/profit for the year attributable to:			
– Owners of the Company		(15,140)	(17,722)
– Non-controlling interests		529	305
		<u>(14,611)</u>	<u>(17,417)</u>
Total comprehensive (expenses)/income for the year attributable to:			
– Owners of the Company		(16,533)	(16,164)
– Non-controlling interests		529	305
		<u>(16,004)</u>	<u>(15,859)</u>
Loss per share for loss attributable to equity holders of the Company			
	10	RMB (cents)	RMB (cents)
Basic		(1.31)	(1.78)
Diluted		(1.31)	(1.78)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	205,930	184,261
Right-of-use assets	12	6,994	7,934
Investment properties	13	83,746	78,131
Interests in associates		1,598	1,810
Goodwill		8,369	–
Intangible assets	16	8,431	9,029
Net investment in leases	15	–	9,017
Financial asset at fair value through profit or loss (“FVTPL”)		6,000	–
Deferred tax assets		24,234	26,893
		345,302	317,075
Current assets			
Inventories	17	26,772	14,814
Trade and other receivables	18	70,080	47,788
Net investment in leases	15	6,748	7,135
Tax recoverable		1,576	679
Bank balances and cash		47,551	99,661
		152,727	170,077
Current liabilities			
Trade and other payables	19	14,400	20,436
Contract liabilities	20	301	949
Bank borrowings		71,930	89,327
Lease liabilities		6,161	5,739
		92,792	116,451
Net current assets		59,935	53,626
Total assets less current liabilities		405,237	370,701

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
Non-current liabilities			
Other payables	19	600	–
Contingent consideration		4,758	–
Deferred tax liabilities		881	–
Lease liabilities		–	6,161
		<u>6,239</u>	<u>6,161</u>
Net assets		<u>398,998</u>	<u>364,540</u>
CAPITAL AND RESERVES			
Share capital		10,448	8,847
Reserves		<u>365,929</u>	<u>352,328</u>
Equity attributable to owners of the Company		376,377	361,175
Non-controlling interests		<u>22,621</u>	<u>3,365</u>
Total equity		<u>398,998</u>	<u>364,540</u>

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, research and development, production, sales and marketing of cosplay products (including cosplay costumes and cosplay wigs), sexy lingerie and fabric care, personal hygiene and home care products, 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 1 January 2022

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 2022:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020

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

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and related amendments ¹
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	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ Effective date not yet determined

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. During the year, the Group commenced the business in research and development, manufacturing and sale of fabric care, personal hygiene and home care products in the PRC upon acquisition of subsidiaries and it is considered a new operating and reportable segment by the most senior executive management.

The Group has identified the following reportable segments:

- (a) Wigs;
- (b) Clothing and others (including cosplay costumes, sexy lingerie and others);
- (c) Fabric care, personal hygiene and home care products; and
- (d) 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 of 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 (expense)/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 2022				
	Wigs	Clothing	Fabric care,	Leasing	Total
	RMB'000	and others	personal	of factory	RMB'000
	RMB'000	RMB'000	hygiene and	premises	RMB'000
	RMB'000	RMB'000	home care	RMB'000	RMB'000
	RMB'000	RMB'000	products	RMB'000	RMB'000
Revenue from external customers	<u>33,205</u>	<u>249,353</u>	<u>18,555</u>	<u>–</u>	<u>301,113</u>
Segment results	3,826	34,583	861	(905)	38,365
Finance costs (excluded finance charges on lease liabilities)					(4,043)
Bank interest income					231
Loss on disposal of property, plant and equipment					(2,840)
Share of loss of associates					(212)
Unallocated income					17,140
Unallocated expenses					<u>(59,567)</u>
Loss before income tax					(10,926)
Income tax expense					<u>(3,685)</u>
Loss for the year					<u>(14,611)</u>
Other segment items					
Depreciation and amortisation	3,700	15,247	1,587	10,317	30,851
Capital expenditure	13,357	15,917	26,988	87	56,349
ECL allowance on trade receivables	81	1,294	46	5	1,426
Reversal of ECL allowance on net investment in leases	<u>–</u>	<u>–</u>	<u>–</u>	<u>(299)</u>	<u>(299)</u>

	Year ended 31 December 2021			Total RMB'000
	Wigs RMB'000	Clothing and others RMB'000	Leasing of factory premises 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

	As at 31 December 2022					
	Wigs	Clothing	Fabric care, personal hygiene and home care products	Leasing of factory premises	Unallocated	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment assets	<u>40,896</u>	<u>187,065</u>	<u>44,358</u>	<u>112,593</u>	<u>113,117</u>	<u>498,029</u>
Reportable segment liabilities	<u>1,466</u>	<u>5,893</u>	<u>6,002</u>	<u>6,702</u>	<u>78,968</u>	<u>99,031</u>

	As at 31 December 2021					
	Wigs	Clothing	Leasing	Unallocated	Total	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment assets		<u>29,389</u>	<u>188,654</u>	<u>109,028</u>	<u>160,081</u>	<u>487,152</u>
Reportable segment liabilities		<u>2,183</u>	<u>14,264</u>	<u>12,479</u>	<u>93,686</u>	<u>122,612</u>

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.

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
PRC (place of domicile)	<u>36,855</u>	<u>30,365</u>
United States ("US")	231,308	162,412
Germany	1,142	610
United Kingdom ("UK")	2,783	6,216
Australia	238	2,469
Holland	93	5,021
Japan	12,489	11,900
Israel	144	238
Greece	2,924	1,278
Others	<u>13,137</u>	<u>21,703</u>
	<u>264,258</u>	<u>211,847</u>
	<u>301,113</u>	<u>242,212</u>

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 2022, RMB199,501,000 or 66% (2021: RMB83,680,000 or 35%) of the Group's revenue was derived from a single customer of the Group. It is related to wigs and clothing and other segment.

As at 31 December 2022, 47% (2021: 29%) 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Wigs	33,205	39,263
Clothing and others	249,353	202,949
Fabric care, personal hygiene and home care products	18,555	–
	<u>301,113</u>	<u>242,212</u>

Disaggregation of revenue from contracts with customers

The Group's revenue from sales of wigs, clothing and others and fabric care, personal hygiene and home care products 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Contract Manufacturing Services (“CMS”) business		
Cosplay costumes	147,052	162,040
Cosplay wigs	15,478	32,090
Sexy lingerie	1,847	5,422
Fabric care, personal hygiene and home care products	1,391	–
Others	29,277	912
	<u>195,045</u>	<u>200,464</u>
Original Brand Manufacturing (“OBM”) business		
Cosplay costumes	51,704	24,747
Cosplay wigs	17,727	7,173
Sexy lingerie	7,643	7,701
Fabric care, personal hygiene and home care products	17,164	–
Others	11,830	2,127
	<u>106,068</u>	<u>41,748</u>
	<u>301,113</u>	<u>242,212</u>

6. OTHER INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Bank interest income	231	161
Government grant (<i>note</i>)	1,900	1,081
Rental income from operating leases of plant and machineries		
– Lease payments that are fixed	179	1,456
Rental income from operating leases of investment properties		
– Lease payments that are fixed	3,543	2,860
Income relating to net investment in leases		
– Finance lease income	753	616
Subcontracting income	6,076	1,787
Utility income	8,909	3,810
Gain on recognition of net investment in leases	–	4,246
Gain on disposal of financial asset at FVTPL	–	2,835
Others	43	682
	<u>21,634</u>	<u>19,534</u>

Note: The Group was entitled to receive (1) a subsidy from the local government authorities for export sales business conducted in Yichun Development Zone and Yiwu, (2) specific funds in the Yichun Development Zone and (3) COVID-19 related government grants under the Employment Support Scheme from the HKSAR Government.

7. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on bank and other short term borrowings	4,043	4,086
Finance charges on lease liabilities	575	455
	<u>4,618</u>	<u>4,541</u>

8. LOSS BEFORE INCOME TAX

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Auditors' remuneration	1,514	1,283
Cost of inventories recognised as an expense	164,135	114,954
Depreciation		
– Property, plant and equipment	20,020	31,697
– Investment properties	3,748	3,437
– Right-of-use assets	184	200
Amortisation of intangible assets	6,899	3,184
Loss on disposal of property, plant and equipment	2,840	1,335
Reversal of impairment loss on property, plant and equipment, net	–	(5,249)
Reversal of impairment loss on investment properties	–	(6,421)
Lease payments not included in the measurement of lease liabilities	72	64
Income relating to net investment in leases	(753)	(616)
Fair value loss on financial asset at FVTPL (<i>note (b)</i>)	–	949
Changes in fair value of contingent consideration	454	–
ECL allowance on trade receivables	1,426	18,659
(Reversal of ECL allowance)/ECL allowance on net investment in leases	(299)	112
Exchange loss, net	842	1,732
Research and development cost	19,568	21,602
Government grant	(1,900)	(1,081)
Equity-settled share-based payment expenses in respect of consultants	644	–
Staff costs		
– Salaries, allowances and other benefits	68,020	66,369
– Contributions to defined contribution retirement plans (<i>note (a)</i>)	4,697	4,092
– Equity-settled share-based payment expenses	4,761	–
	<u>77,478</u>	<u>70,461</u>

Note (a): During the year ended 31 December 2022, no forfeited contribution under the Plans is available to offset the future contributions or reduce the existing and future levels of contributions (2021: Nil).

Note (b): On 1 February 2021, the Company entered into a Cooperation Agreement with two independent third parties to establish Shenzhen Xiaomanshui Jewelry Supply Chain Co., Ltd (“Xiaomanshui”), a limited company established in the PRC. The Company has contributed RMB1,000,000 to Xiaomanshui, and holds 10% of equity interest. Xiaomanshui 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 <i>RMB'000</i>
At date of establishment	1,000
Fair value loss	(949)
Proceed on deregistration	(51)
Fair value at 31 December	<u>–</u>

9. INCOME TAX EXPENSE/(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 2022 (2021: nil).

The provision for PRC enterprise income tax has been provided at the applicable tax rate of 25% (2021: 25%) on the assessable profits of the PRC subsidiaries.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax		
Current year – PRC enterprise income tax	1,157	288
Deferred tax	<u>2,528</u>	<u>(721)</u>
Income tax expense/(credit)	<u><u>3,685</u></u>	<u><u>(433)</u></u>

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 Zhejiang Kelee Technology Co., Limited (“**Zhejiang Kelee**”) 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 RMB15,140,000 (2021: RMB17,722,000) and the weighted average 1,159,158,000 (2021: 993,152,000) ordinary shares in issue during the year ended 31 December 2022.

The diluted loss per share for the year ended 31 December 2022 does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares.

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.

The diluted loss per share is the same as basic loss per share for the years ended 31 December 2022 and 2021.

11. DIVIDENDS

No dividend was paid or proposed during 2022 nor has any dividend been proposed since the end of the reporting period (2021: nil).

12. RIGHT-OF-USE-ASSETS

	Prepaid land lease payments RMB'000
Carrying amount as at 1 January 2021	9,258
Depreciation	(200)
Transfer to investment properties	<u>(1,124)</u>
Carrying amount as at 31 December 2021	<u><u>7,934</u></u>
Carrying amount as at 1 January 2022	7,934
Depreciation	(184)
Transfer to investment properties	<u>(756)</u>
Carrying amount as at 31 December 2022	<u><u>6,994</u></u>

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 2022, the Group's right-of-use assets amounting to RMB4,676,000 (2021: RMB5,637,000) were pledged to secure bank loans.

13. INVESTMENT PROPERTIES

	2022 RMB'000	2021 RMB'000
Investment properties	<u><u>83,746</u></u>	<u><u>78,131</u></u>

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

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	78,131	58,915
Addition	–	9,593
Transferred from right-of-use assets	756	1,124
Transferred from property, plant and equipment	8,607	15,108
Depreciation	(3,748)	(3,437)
Transferred to net investment in leases	–	(9,593)
Reversal of impairment loss	–	<u>6,421</u>
Carrying amount at 31 December	<u><u>83,746</u></u>	<u><u>78,131</u></u>

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Cost	125,055	115,692
Accumulated depreciation and impairment	(41,309)	(37,561)
	<hr/>	<hr/>
Carrying amount	83,746	78,131
	<hr/> <hr/>	<hr/> <hr/>

At 31 December 2022, 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 RMB108,875,000 (2021: RMB102,184,000). The fair value as at 31 December 2022 has been arrived based on a valuation carried out by an independent professional qualified valuer Graval Consulting Limited. The reversal of impairment loss of nil (2021: reversal of impairment loss of RMB6,421,000) 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 2022. 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 (2021: RMB13 to RMB15) per square meter and from 6.0% to 6.5% (2021: 6.0% to 6.5%) as at year ended 31 December 2022 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 2022, bank loans are secured by investment properties with a carrying value of RMB36,242,000 (2021: RMB31,164,000).

As at 31 December 2022, right-of-use assets that presented within investment properties with a carrying amount value of RMB3,395,000 (2021: RMB2,748,000).

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	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	<u>208,062</u>	<u>29,648</u>	<u>3,602</u>	<u>4,718</u>	<u>160,601</u>	<u>406,631</u>
As at 1 January 2022	208,062	29,648	3,602	4,718	160,601	406,631
Additions	-	8,852	1,950	412	28,867	40,081
Additions through acquisition of subsidiaries	-	4,411	38	15	5,503	9,967
Transfer to investment properties	(10,731)	-	-	-	-	(10,731)
Transfer from net investment in leases	4,718	-	-	-	-	4,718
Disposals	-	(8,009)	(527)	(69)	-	(8,605)
As at 31 December 2022	<u>202,049</u>	<u>34,902</u>	<u>5,063</u>	<u>5,076</u>	<u>194,971</u>	<u>442,061</u>
Accumulated depreciation and impairment						
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	<u>78,722</u>	<u>17,902</u>	<u>2,586</u>	<u>4,299</u>	<u>118,861</u>	<u>222,370</u>
As at 1 January 2022	78,722	17,902	2,586	4,299	118,861	222,370
Charge for the year	6,374	1,428	198	322	11,698	20,020
Transfer to investment properties	(2,124)	-	-	-	-	(2,124)
Written back on disposal	-	(3,573)	(501)	(61)	-	(4,135)
As at 31 December 2022	<u>82,972</u>	<u>15,757</u>	<u>2,283</u>	<u>4,560</u>	<u>130,559</u>	<u>236,131</u>
Net book amount						
As at 31 December 2022	<u>119,077</u>	<u>19,145</u>	<u>2,780</u>	<u>516</u>	<u>64,412</u>	<u>205,930</u>
As at 31 December 2021	<u>129,340</u>	<u>11,746</u>	<u>1,016</u>	<u>419</u>	<u>41,740</u>	<u>184,261</u>

As at 31 December 2022, the Group's buildings amounting to RMB72,231,000 (2021: RMB76,933,000) 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 2021	13,248
Disposal	<u>(6,367)</u>
As at 31 December 2021 and 1 January 2022	6,881
Disposal	<u>(6,881)</u>
As at 31 December 2022	<u>–</u>
Depreciation	
At 1 January 2021	4,068
Charge for the year	1,108
Disposal	<u>(2,723)</u>
As at 31 December 2021 and 1 January 2022	2,453
Charge for the year	163
Disposal	<u>(2,616)</u>
As at 31 December 2022	<u>–</u>
Net book amount	
As at 31 December 2022	<u>–</u>
As at 31 December 2021	<u><u>4,428</u></u>

At 31 December 2022, the recoverable amounts of the Group's property, plant and equipment, determined using income approach, attributable to wigs CGU, clothing and others CGU and fabric care, personal hygiene and home care products CGU were RMB42,030,000, RMB200,690,000 and RMB53,685,000 (2021: RMB18,000,000, RMB142,000,000 and N/A) respectively. The recoverable amounts as at 31 December 2022 has been arrived based on a value in use estimation carried out by an independent professional qualified valuer Peak Vision 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%, 2.2% and 2.2%, 27%–29% and 30%–32%, and 17.35% and 17.35% 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 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Gross investment in leases		
– Within one year	7,050	7,947
– After first year but within second years	–	9,413
	7,050	17,360
Less: Unearned finance income	(302)	(1,208)
Net investment in leases	6,748	16,152
Present value of investment in leases		
– Within one year	6,748	7,135
– After first year but within second years	–	9,017
	6,748	16,152
Less: portion due within one year included under current assets	(6,748)	(7,135)
Portion due after one year included under non-current assets	–	9,017
Net investment in leases represented:		
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Gross amount of net investment in leases	6,885	16,588
ECL allowance on net investment in leases	(137)	(436)
	6,748	16,152

The Group entered into nil (2021: two) lease contracts for certain factory premises for an initial period of zero year (2021: three years and three months) for the year ended 31 December 2022. Portion of premises is for own use and remaining portion is subleased to third parties for rental purposes. The relevant lease liabilities at date of commencement was nil (2021: RMB9,593,000).

As at 31 December 2022, the subleases are under nine sublease arrangements (2021: the subleases are under nine sublease arrangements).

As at 31 December 2022, 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 (2021: nine sublease arrangements typically run for an initial period of three years and 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At 1 January	436	324
(Reversal of ECL allowance)/ECL allowance recognised during the year	(299)	112
At 31 December	137	436

16. INTANGIBLE ASSETS

	Trademark <i>RMB'000</i>	Patent <i>RMB'000</i>	Total <i>RMB'000</i>
Cost			
As at 1 January 2021	500	–	500
Addition through acquisition of subsidiaries	12,213	–	12,213
As at 31 December 2021	12,713	–	12,713
Addition through acquisition of subsidiaries	–	6,301	6,301
As at 31 December 2022	12,713	6,301	19,014
Accumulated amortisation			
As at 1 January 2021	500	–	500
Charge for the year	3,184	–	3,184
As at 31 December 2021	3,684	–	3,684
Change for the year	6,374	525	6,899
As at 31 December 2022	10,058	525	10,583
Net book amount			
As at 31 December 2022	2,655	5,776	8,431
As at 31 December 2021	9,029	–	9,029

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Raw materials	14,470	12,856
Work in progress	3,069	1,221
Finished goods	9,233	737
	<u>26,772</u>	<u>14,814</u>

18. TRADE AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables		
– from third parties	53,246	55,826
Less: ECL allowance	(1,594)	(19,355)
	<u>51,652</u>	<u>36,471</u>
Deposits, prepayments and other receivables		
Prepayments	6,719	6,033
Other tax receivables	1,442	1,518
Deposits	3,197	1,380
Other receivables	7,070	2,386
	<u>18,428</u>	<u>11,317</u>
	<u>70,080</u>	<u>47,788</u>

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 (2021: 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0–30 days	31,352	26,285
31–60 days	6,002	5,821
61–90 days	9,055	155
91–365 days	5,243	4,210
	<u>51,652</u>	<u>36,471</u>

As at 31 December 2022, ECL allowance of RMB1,594,000 (2021: RMB19,355,000) was recognised.

The ECL rate for trade receivables as at 31 December 2022 and 2021 was determined as follows:

	2022	2021
0–30 days	1.26%	1.26%
31–60 days	1.89%	1.89%
61–90 days	2.92%	2.92%
91–365 days	4.54%	4.54%
Over 365 days	<u>100%</u>	<u>100%</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At 1 January	19,355	696
Amount written off during the year	(19,187)	–
ECL allowance recognised during the year	<u>1,426</u>	<u>18,659</u>
At 31 December	<u>1,594</u>	<u>19,355</u>

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. TRADE AND OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current:		
Trade payables		
– To third parties	<u>4,755</u>	<u>9,136</u>
Accrued charges and other payables		
– Salaries payables	6,423	6,362
– Other tax payables	1,054	1,400
– Other payables	<u>2,168</u>	<u>3,538</u>
	<u>9,645</u>	11,300
	<u>14,400</u>	<u>20,436</u>
Non-current:		
– Other payables	<u>600</u>	–
	<u>15,000</u>	<u>20,436</u>

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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0–30 days	<u>4,755</u>	<u>9,136</u>

20. CONTRACT LIABILITIES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Contract liabilities arising from receiving deposits of manufacturing orders	<u>301</u>	<u>949</u>

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, research and development, production, selling and marketing of cosplay products (including cosplay costumes and cosplay wigs), non-cosplay apparels which include mainly sexy lingerie, and fabric care, personal hygiene and home care products, and leasing of factory premises in the PRC.

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

	2022		2021		Increase (decrease) of revenue (approximate %)
	Revenue <i>RMB'000</i>	% of total	Revenue <i>RMB'000</i>	% of total	
CMS business	195,045	64.8%	200,464	82.8%	(2.7%)
OBM business	106,068	35.2%	41,748	17.2%	154.0%
Total	<u>301,113</u>	<u>100.0%</u>	<u>242,212</u>	<u>100.0%</u>	24.3%

Revenue by operating and reportable segments

	2022		2021		Increase (decrease) of revenue (approximate %)
	Revenue <i>RMB'000</i>	% of total	Revenue <i>RMB'000</i>	% of total	
Wigs	33,205	11.0%	39,263	16.2%	(15.4%)
Clothing and others	249,353	82.8%	202,949	83.8%	22.9%
Fabric care, personal hygiene and home care products	18,555	6.2%	–	–	N/A
Total	<u>301,113</u>	<u>100.0%</u>	<u>242,212</u>	<u>100.0%</u>	24.3%

Our revenue from both the CMS business and the OBM business increased from RMB242.2 million for the year ended 31 December 2021 to RMB301.1 million for the year ended 31 December 2022, representing an increase of 24.3%.

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 coordinate 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 in 2021 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 2022, 65% (2021: 65%) 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 RMB4,475,000 (2021: RMB4,932,000) (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 ended 31 December 2022, the Group has also acquired High Kelee Investment Holdings Limited (“**High Kelee**”) with its wholly owned subsidiary engaged principally in the research and development, manufacturing and sale of fabric care, personal hygiene and home care products, etc.

The Group also completed an investment of 15% equity interests in Diamond Virtue Limited (“**Diamond Virtue**”) at a consideration of RMB6 million in December 2022, Fujian Lexiang Maisui Information Technology Co., Ltd* (福建樂享麥穗信息科技有限公司) (“**Fujian Lexiang**”), its wholly owned subsidiary, is engaged in the provision of flexible staffing service and recruitment solutions services in the PRC. As all the relevant applicable percentage ratios with respect to the transaction are below 5%, the aforesaid transaction does not constitute a notifiable or connected transaction of the Company under Chapter 14 or 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The investment in Diamond Virtue is recognised as financial assets at fair value through profit or loss in the consolidated statement of financial position.

Loss attributable to the equity holders of the Company decreased from approximately RMB17.7 million for the year ended 31 December 2021 to approximately RMB15.1 million for the year ended 31 December 2022.

FINANCIAL REVIEW

Revenue and Gross Profit

	2022	Gross Profit	2021	Gross Profit	Revenue %
	Revenue	margin	Revenue	margin	change
	<i>RMB'000</i>		<i>RMB'000</i>		
CMS business					
Cosplay costumes	147,052	23.9%	162,040	26.7%	(9.2%)
Cosplay wigs	15,478	22.7%	32,090	26.9%	(51.8%)
Sexy lingerie	1,847	18.0%	5,422	25.2%	(65.9%)
Fabric care, personal hygiene and home care products	1,391	27.7%	–	–	N/A
Others	29,277	22.2%	912	26.2%	3,110.2%
	<u>195,045</u>	<u>23.6%</u>	<u>200,464</u>	<u>26.6%</u>	<u>(2.7%)</u>
OBM business					
Cosplay costumes	51,704	25.8%	24,747	30.8%	108.9%
Cosplay wigs	17,727	26.5%	7,173	16.2%	147.1%
Sexy lingerie	7,643	22.4%	7,701	25.9%	(0.8%)
Fabric care, personal hygiene and home care products	17,164	26.6%	–	–	N/A
Others	11,830	40.5%	2,127	76.3%	456.2%
	<u>106,068</u>	<u>27.4%</u>	<u>41,748</u>	<u>30.1%</u>	<u>154.1%</u>
Total	<u><u>301,113</u></u>	<u><u>24.9%</u></u>	<u><u>242,212</u></u>	<u><u>27.2%</u></u>	<u>24.3%</u>

Revenue

CMS Business

During the year ended 31 December 2022, our revenue derived mainly from our CMS business, representing approximately 64.8% (2021: 82.8%) of the total revenue. Revenue derived from the CMS business decreased from approximately RMB200.5 million in 2021 to approximately RMB195.0 million in 2022, representing a decrease of approximately 2.7%.

OBM Business

The revenue derived from our OBM business increased from approximately RMB41.8 million in 2021 to approximately RMB106.1 million in 2022, representing an increase of approximately 154.1%.

In 2022, the ongoing COVID-19 pandemic wreaked havoc on Greater China's economy. Restrictive movement control measures in the Mainland China substantially affected the economic activities which include our production and logistic in Yiwu City, the PRC.

During the year under review, the sales to our major market, the U.S., showed an upsurge of approximately 42.4%, which was driven by domestic consumption and the recovery of tourism in the year. The U.S. market continued to be our biggest market in 2022, contributing approximately of 76.8% of the revenue for the year (2021: approximately of 67.0%).

The acquisition of High Kelee was completed on 15 July 2022, and the Group had then diversified its business to the research and development, manufacturing and sale of fabric care, personal hygiene and home care products. High Kelee had contributed approximately RMB 18.6 million of revenue to the Group since acquisition and the average gross profit margin was around approximately 27.0%.

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 RMB4,475,000 (2021: RMB4,932,000) 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 decreased from approximately 27.2% in 2021 to approximately 24.9% in 2022. The restrictive movement control measures which lead to the increase in raw materials cost and the logistic cost, affected our gross profit margin. The decrease in gross profit margin was also due to the decrease in the sale of non-surgical face mask which contributed a higher margin in the previous year.

Cost of sales

The costs of sales increased by approximately RMB49.8 million, from approximately RMB176.2 million in 2021 to approximately RMB226.0 million in 2022.

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

Other income

Our other income increased by approximately RMB2.1 million, from approximately RMB19.5 million in 2021 to approximately RMB21.6 million in 2022. The increase was primarily due to the increase in subcontracting income of approximately RMB4.3 million and utility income of approximately RMB5 million, and offset by a decrease in the gain on recognition of net investment in leases of approximately RMB4.2 million and the gain on disposal of financial asset at FVTPL of approximately RMB2.8 million.

Selling expenses

Our selling expenses increased by approximately RMB0.4 million, from approximately RMB5.1 million in 2021 to approximately RMB5.5 million in 2022. The increase was primarily due to the increase in advertisement expense of approximately RMB0.6 million for the promotion of the newly acquired business which engages in fabric care, personal hygiene and home care products.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately RMB9.0 million, from approximately RMB86.7 million in 2021 to approximately RMB95.7 million in 2022. The increase was primarily due to the increase in share-based payment expenses of approximately RMB5.4 million and the administrative expenses contributed from the newly acquired business of approximately RMB4.2 million.

Reversal of impairment loss on property, plant and equipment

During the year ended 31 December 2021, reversal of impairment loss of approximately RMB5.2 million was recognized by comparing the recoverable amount of the property, plant and equipment to its carrying amount.

Reversal of 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 was recognized during the year ended 31 December 2021 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 Peak Vision Appraisals 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

The decrease in ECL allowance of trade receivable was primarily due to our collection and enhanced account receivable management efforts as well as the improvement in the quality of our accounts receivable.

Finance costs

Our finance costs slightly increased by approximately RMB0.1 million, from approximately RMB4.5 million in 2021 to approximately RMB4.6 million in 2022. The increase was mainly due to the increase in average borrowings interest rate during the year.

Share of loss of associates

Share of loss of associates relates to the Group’s associates established for the purpose of developing the cultural tourism business. The Group’s share of loss of associates for the year was approximately RMB212,000.

Income tax

Our income tax increased from income tax credit of approximately RMB433,000 in 2021 to income tax expenses of approximately RMB3.7 million in 2022. The increase in tax was primarily due to the increase in deferred tax recognised.

Financial resources and liquidity and capital structure

As at 31 December 2022, the total amount of bank balances and cash of the Group was approximately RMB47.6 million, a decrease of approximately RMB52.1 million when compared with that as at 31 December 2021. The decrease arose mainly from the net repayment of borrowings of approximately RMB22.3 million and capital expenditure of approximately RMB40 million.

The borrowings of the Group represented bank and other borrowings of approximately RMB71.9 million.

As at 31 December 2022, the current ratio and the gearing ratio were 164.6% and 19.6% 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 2022, the Company's number of issued ordinary shares was 1,262,267,600 ("Share(s)") (2021: 1,077,267,600 Shares).

Capital expenditure

During the year ended 31 December 2022, the Group invested approximately RMB40 million in property, plant and equipment.

Pledged of assets

As at 31 December 2022, our bank loans were secured by the Group's right-of-use assets, buildings and investment properties with carrying value of approximately RMB4.7 million, RMB72.2 million and RMB36.2 million respectively.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2022.

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 2022, we had approximately 567 employees (31 December 2021: 566). Total staff costs for the year amounted to approximately RMB77.5 million (2021: RMB70.5 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.

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**") 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.

After seeking legal advice, the Company took out an application to dismiss the Amended Writ and strike out the Statement of Claim on the grounds that the Statement of Claim is scandalous, frivolous and vexatious and is an abuse of the Court's process (the "**Strikeout Summons**"). The hearing for the Strike-out Summons was held on 18 October 2022 (the "**Hearing**") in the Court of First Instance of the High Court of Hong Kong (the "**High Court**"). After hearing submissions from the legal representatives of the Plaintiff and the Company, the High Court has granted an order to dismiss the Amended Writ and strike out the Statement of Claim against the Company at the Hearing. The Company is no longer a party to the HCA 1124/2021. The Plaintiff is also ordered to pay the cost of the whole action of HCA 1124/2021 to the Company to be summarily assessed on indemnity basis.

Details of the litigation have been set out in the Company's announcement dated 6 August 2021, 19 November 2021 and 18 October 2022.

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

On 20 June 2022, the Company, as the purchaser, entered into the sales and purchase agreement (and further amended by a supplemental agreement dated 29 June 2022) with Ms. Feng Xianhua (馮鮮花), as the vendor, in respect of the acquisition and selling of the 100% issued share capital of High Kelee, a company established in the BVI with limited liability, at a consideration of HK\$42.8 million, of which HK\$8.8 million shall be paid by the Company in cash and the remaining consideration shall be satisfied by the allotment and issue of 170,000,000 consideration shares ("**Consideration Shares**") to the Vendor at the issue price of HK\$0.2 upon completion. The acquisition was completed on 15 July 2022.

Details of the acquisition have been set out in the Company's announcement dated 20 June 2022, 29 June 2022, 5 July 2022 and 15 July 2022.

Saved as disclosed, the Group did not have any material acquisition and disposal of subsidiaries and associates during the year ended 31 December 2022.

FULLFILLMENT OF PERFORMANCE TARGET IN RELATION TO THE ACQUISITION OF HIGH KELEE

Based on the relevant agreement, the vendor warranted to the Company that (i) the actual net profit after taxation of the Zhejiang Kelee (the "**Zhejiang Kelee Net Profit**"), the wholly owned subsidiary of High Kelee, for each of the two years ending 31 December 2022 and 2023 shall not be less than RMB10 million each year; or (ii) the aggregate Net Profit for the two years ending 31 December 2022 and 2023 shall not be less than RMB20 million in total (the "**Zhejiang Kelee Guaranteed Profit**").

However, the audited results of Zhejiang Kelee for the year ended 31 December 2022, which recorded the Zhejiang Kelee Net Profit of approximately RMB6.1 million, is less than the 2022 Zhejiang Kelee Guaranteed Profit by RMB3.9 million (the "**Zhejiang Kelee Shortfall**").

Zhejiang Kelee is primarily engaged in the research and development, manufacturing and sale of fabric care, personal hygiene and home care products in the PRC. Due to sporadic occurrences of coronavirus (COVID-19) infection quickly evolved into major regional outbreaks, leading to tightened COVID-related health measures and lockdowns in Yiwu city, hence, our business has been affected. As a result, the raw materials and staff costs have increased and the revenue of the Zhejiang Kelee was lower than expected, therefore the 2022 Zhejiang Kelee Net Profit did not meet the 2022 Zhejiang Kelee Guaranteed Profit.

Accordingly, the remaining cash consideration of approximately HK\$8.8 million will have to be paid to the vendor if the aggregate Net Profit for the two years ending 31 December 2022 and 2023 is not less than RMB20 million in total.

The Directors are of the view that the failure to meet the 2022 Zhejiang Kelee Guaranteed Profit will not pose any material adverse impact on the financial position and business operations of the Group as a whole. Further financial information of Zhejiang Kelee for the year ended 31 December 2022 will be included in the annual report of the Company to be despatched to shareholders of the Company.

EVENT AFTER THE REPORTING PERIOD

After the reporting period, the Company completed a placing of new shares under general mandate through First Capital Securities Limited (the “**Placing Agent**”), in which a total of 215,453,520 placing shares had been successfully placed by the Placing Agent on 29 March 2023 to not less than six Placees at the Placing Price of HK\$0.155 per placing shares pursuant to the terms and conditions of the placing agreement dated 17 March 2023.

The Company received net proceeds of HK\$32.8 million from the placing of new shares under general mandate completed on 29 March 2023. For more information of the placing of new shares under general mandate, please refer to the announcement of the Company dated 17 March 2023 and 29 March 2023.

Except as disclosed in above, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2022 and up to the date of this announcement.

PROSPECTS

Looking ahead, while China has lifted its Covid-19 restrictions, the operating environment remains uncertain in 2023. The Group is committed in delivering sustainable growth while navigating through such volatilities.

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 of 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 businesses 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 2023 AGM, the register of members of the Company will be closed from Monday, 5 June 2023 to Friday, 9 June 2023, 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, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 2 June 2023.

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 2022.

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 complied with the required standard set out in the Model Code throughout year ended 31 December 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 15 July 2022, the Company completed the issue of the 170,000,000 Consideration Shares.

Saved as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2022.

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 2022 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 2022 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 2022 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 2022 annual report of the Company for the year ended 31 December 2022 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
Teng Hao
Chairman

Hong Kong, 30 March 2023

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