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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)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016**

The board (the “**Board**”) of directors (the “**Directors**”) of China Partytime Culture Holdings Limited 中國派對文化控股有限公司 (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2016, together with the comparative figures for the corresponding period in 2015 as follows:

### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the Six months ended 30 June 2016*

		<b>Six months ended</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2016</b>	<b>2015</b>
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Revenue</b>	4, 5	<b>259,006</b>	258,672
Costs of sales		<b>(184,938)</b>	(184,491)
<b>Gross profit</b>		<b>74,068</b>	74,181
Other income	6	<b>1,340</b>	3,025
Selling expenses		<b>(6,816)</b>	(6,892)
Administrative and other operating expenses		<b>(21,586)</b>	(24,119)
<b>Profit from operations</b>		<b>47,006</b>	46,195
Share of loss of a joint venture		<b>(2)</b>	–
Finance costs		<b>(635)</b>	(1,241)
<b>Profit before income tax</b>	7	<b>46,369</b>	44,954
Income tax expense	8	<b>(13,083)</b>	(13,532)
<b>Profit for the period</b>		<b>33,286</b>	31,422

		<b>Six months ended</b>	
		<b>30 June</b>	30 June
		<b>2016</b>	2015
	<i>NOTES</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Other comprehensive (expense)/income:</b>			
<b>Items that will be reclassified subsequently to profit or loss</b>			
Exchange differences on translation of foreign operation recognised		<u>(104)</u>	<u>1,994</u>
<b>Other comprehensive (expense)/income for the period, net of nil tax</b>		<u>(104)</u>	<u>1,994</u>
<b>Total comprehensive income for the period</b>		<u><b>33,182</b></u>	<u><b>33,416</b></u>
<b>Profit for the period attributable to:</b>			
Equity holders of the Company		33,286	28,546
Non-controlling interests		<u>–</u>	<u>2,876</u>
		<u><b>33,286</b></u>	<u><b>31,422</b></u>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		33,182	30,540
Non-controlling interests		<u>–</u>	<u>2,876</u>
		<u><b>33,182</b></u>	<u><b>33,416</b></u>
<b>Earnings per share for profit attributable to equity holders of the Company</b>			
		<b>RMB (cents)</b>	<b>RMB (cents)</b>
Basic	<i>10</i>	<u><b>4.40</b></u>	<u><b>5.07</b></u>
Diluted	<i>10</i>	<u><b>4.36</b></u>	<u><b>5.07</b></u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2016

		<b>30 June 2016</b>	31 December 2015
	<i>NOTES</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
		<b>(unaudited)</b>	(audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Trademark	<i>13</i>	<b>391</b>	438
Prepaid land lease payments	<i>11</i>	<b>12,826</b>	12,976
Property, plant and equipment	<i>12</i>	<b>248,504</b>	218,241
Interest in a joint venture		<b>2</b>	–
		<u><b>261,723</b></u>	<u>231,655</u>
<b>Current assets</b>			
Inventories	<i>14</i>	<b>15,811</b>	26,715
Trade and other receivables	<i>15</i>	<b>75,002</b>	61,830
Prepaid land lease payments	<i>11</i>	<b>293</b>	293
Bank balances and cash		<b>153,737</b>	108,274
		<u><b>244,843</b></u>	<u>197,112</u>
<b>Current liabilities</b>			
Trade and other payables	<i>16</i>	<b>36,899</b>	42,889
Short term borrowings		<b>43,000</b>	11,000
Income tax payable		<b>7,905</b>	6,085
		<u><b>87,804</b></u>	<u>59,974</u>

		<b>30 June</b>	31 December
		<b>2016</b>	2015
	<i>NOTES</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>(unaudited)</b>	(audited)
<b>Net current assets</b>		<u>157,039</u>	<u>137,138</u>
<b>Total assets less current liabilities</b>		<u>418,762</u>	<u>368,793</u>
<b>Non-current liability</b>			
Convertible bonds	<i>17</i>	<u>15,547</u>	–
		<u>15,547</u>	–
<b>Net assets</b>		<u>403,215</u>	<u>368,793</u>
<b>Capital and reserves</b>			
Share capital		6,209	6,209
Reserves		<u>397,006</u>	<u>362,584</u>
<b>Total equity</b>		<u><u>403,215</u></u>	<u><u>368,793</u></u>

# NOTES TO THE INTERIM FINANCIAL REPORT

*for the six months ended 30 June 2016*

## 1. GENERAL INFORMATION

China Partytime Culture Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as exempted company with limited liability. The Company’s shares are listed on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 October 2015. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is No.3 Chunchao Road, Yichun Economic & Technological Development Zone, Jiangxi Province, the People’s Republic of China (“**PRC**”).

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

In the opinion of the Company’s directors, the Company’s immediate and ultimate holding company is Master Professional Holdings Limited which was incorporated in the British Virgin Islands (“**BVI**”) and wholly owned by Mr. Chen Sheng Bi.

## 2. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange and Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The interim financial report does not include all of the information required in annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2015.

The interim financial report is unaudited, but has been reviewed by the Company’s auditor, Grant Thornton Hong Kong Limited.

The condensed consolidated financial statements is presented in thousands of units of Renminbi (“**RMB’000**”), except when otherwise indicated, which was approved for issue by the Board of Directors on 26 August 2016.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The interim financial report has been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 December 2015, except for the adoption of new accounting policies as a result of (i) the issuance of convertible bonds and the incorporation of a joint venture during the six months ended 30 June 2016 and (ii) the adoption of the new and amended Hong Kong Financial Reporting Standards ("HKFRSs") as set out below:

(i) **Accounting policies not included in the annual financial statements for the year ended 31 December 2015**

***Financial liabilities – convertible bond***

Convertible bond issued by the Group that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as convertible bond reserve.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the bond.

When the bond is converted, the equity component of convertible bond and the carrying value of the liability component at the time of conversion are transferred to share capital as consideration for the shares issued. If the bond is redeemed, the convertible bond equity reserve is released directly to retained profits.

***Joint ventures***

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions relating about relevant activities require the unanimous consent of the parties sharing control.

In interim financial report, an interest in a joint venture is initially recognised at cost and subsequently accounted for using the equity method.

Under the equity method, the Group's interest in the joint venture is carried at cost and adjusted for the post-acquisition changes in the Group's share of the joint venture's net assets less any identified impairment loss. The profit or loss for the period includes the Group's share of the post-acquisition, post-tax results of the joint venture for the period, including any impairment loss on the investment in joint venture recognised for the period. The Group's other comprehensive income for the period includes its share of the joint venture's other comprehensive income for the period.

**(ii) Adoption of new and amended HKFRSs**

Except for the adoption of the following amendments to HKFRSs that have become effective for accounting period beginning on 1 January 2016 and are relevant to the Group:

Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation

The Group has applied all the amendments to standards, which are mandatory for the financial year beginning 1 January 2016. The adoption of these newly effective HKFRSs has no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented. For those which are not yet effective and have not been early adopted by the Group, the Group is in the process of assessing their impact on the Group's results and financial position.

#### 4. SEGMENT INFORMATION

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to the segment and to assess its performance. The executive directors of the Company, being the chief operating decision maker, have identified the Group's two product and service lines as operating segments.

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

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

	<b>Six months ended 30 June 2016</b>		
	<b>Wigs</b>	<b>Clothing and others</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue from external customers	<u>106,970</u>	<u>152,036</u>	<u>259,006</u>
<b>Segment results</b>	<b>25,120</b>	<b>42,223</b>	<b>67,343</b>
Finance costs			(635)
Bank interest income			229
Share of loss of a joint venture			(2)
Unallocated income			1,111
Unallocated expenses			<u>(21,677)</u>
Profit before income tax			<b>46,369</b>
Income tax expense			<u>(13,083)</u>
<b>Profit for the period</b>			<u><b>33,286</b></u>
<b>Other segment items</b>			
Depreciation and amortisation	2,580	1,810	4,390
Capital expenditure	<u>563</u>	<u>33,893</u>	<u>34,456</u>



	Six months ended 30 June 2015		
	Wigs	Clothing and others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)
Revenue from external customers	<u>114,846</u>	<u>143,826</u>	<u>258,672</u>
<b>Segment results</b>	29,214	38,102	67,316
Finance costs			(1,241)
Bank interest income			90
Unallocated income			2,935
Unallocated expenses			<u>(24,146)</u>
Profit before income tax			44,954
Income tax expense			<u>(13,532)</u>
<b>Profit for the period</b>			<u><u>31,422</u></u>
<b>Other segment items</b>			
Depreciation and amortisation	1,201	987	2,188
Capital expenditure	<u>596</u>	<u>82,526</u>	<u>83,122</u>

	As at 30 June 2016			
	Wigs	Clothing and others	Unallocated	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reportable segment assets	<u>203,694</u>	<u>125,843</u>	<u>177,029</u>	<u>506,566</u>
Reportable segment liabilities	<u>12,289</u>	<u>22,354</u>	<u>68,708</u>	<u>103,351</u>

	As at 31 December 2015			
	Wigs	Clothing and others	Unallocated	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)	(audited)
Reportable segment assets	<u>196,724</u>	<u>108,441</u>	<u>123,602</u>	<u>428,767</u>
Reportable segment liabilities	<u>19,180</u>	<u>20,554</u>	<u>20,240</u>	<u>59,974</u>

## 5. REVENUE

The Group's principal activities are disclosed in note 1 to the interim financial report. Revenue of the Group is the revenue from these activities.

## 6. OTHER INCOME

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Exchange gain	1,052	2,712
Interest income	229	90
Others	<u>59</u>	<u>223</u>
	<u>1,340</u>	<u>3,025</u>

## 7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2016 <i>RMB'000</i> (unaudited)	2015 <i>RMB'000</i> (unaudited)
Cost of inventories recognised as an expense	129,683	129,400
Depreciation	4,193	2,041
Amortisation of prepaid land lease payments	150	147
Amortisation of trademark	47	–
Loss on disposal of property, plant and equipment	–	53
Operating lease charges in respect of land and buildings	255	–
Research and development cost	8,759	6,948
Listing expenses (included in administrative and other operating expenses)	–	7,849
Staff costs		
– Salaries, allowances and other benefits	48,299	39,843
– Contributions to defined contribution retirement plans	5,266	4,612
	<u>53,565</u>	<u>44,455</u>

## 8. INCOME TAX EXPENSE

No provision for profits tax has been provided by the Company as the Company had no assessable profits subject to taxation in any jurisdiction.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2016 and 2015.

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

	Six months ended 30 June	
	2016 <i>RMB'000</i> (unaudited)	2015 <i>RMB'000</i> (unaudited)
<b>Current tax – PRC enterprise income tax</b>		
Current period	<u>13,083</u>	<u>13,532</u>
	<u>13,083</u>	<u>13,532</u>

## 9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: nil).

## 10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of RMB33,286,000 (2015: RMB28,546,000) and the weighted average number of ordinary shares of 756,234,000 in issue during the period (2015: 562,500,000 in issue during the period, as if the reorganisation and capitalisation issue as detailed in the Company's annual financial statements for the year ended 31 December 2015 had been effective since 1 January 2014).

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
<b>Earnings</b>		
Profit for the period attributable to equity holders of the Company for the purpose of basic earnings per share	33,286	28,546
Effect of dilutive potential ordinary shares		
Interest on convertible bonds	80	–
Earnings for the purpose of diluted earnings per share	<u>33,366</u>	<u>28,546</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	756,234	562,500
Effect of dilutive potential ordinary shares:		
– convertible bonds	9,242	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>765,476</u>	<u>562,500</u>

The calculation of the diluted earnings per share for the six months ended 30 June 2016 is based on the profit attributable to equity holders of the Company, adjusted to reflect the interest of the convertible bonds issued by the Company during the period. The weighted average number of ordinary shares used in the calculation of the diluted earnings per share for the six months ended 30 June 2016 is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of the convertible bonds into ordinary shares for the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2015 as the Group had no potentially dilutive ordinary shares in issue for the six months ended 30 June 2015. The basic earnings per share equals to the diluted earnings per share.

#### 11. PREPAID LAND LEASE PAYMENTS

	<b>As at 30 June 2016 <i>RMB'000</i> (unaudited)</b>	<b>As at 31 December 2015 <i>RMB'000</i> (audited)</b>
Carrying amount at the beginning of the period/year	<b>13,269</b>	13,562
Amortised during the period/year	<u>(150)</u>	<u>(293)</u>
Carrying amount at the end of the period/year	<u><b>13,119</b></u>	<u>13,269</u>
Represented by:		
Non-current portion	<b>12,826</b>	12,976
Current portion	<u>293</u>	<u>293</u>
	<u><b>13,119</b></u>	<u>13,269</u>

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

As at 30 June 2016, the Group's prepaid land lease payments amounting to RMB3,438,000 (31 December 2015: RMB11,827,000) were pledged to secure bank borrowings.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Plant and machineries <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Furniture and equipment <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2016	140,073	17,885	2,259	4,058	9,852	61,419	235,546
Additions	–	714	407	180	–	33,155	34,456
<b>As at 30 June 2016 (unaudited)</b>	<b>140,073</b>	<b>18,599</b>	<b>2,666</b>	<b>4,238</b>	<b>9,852</b>	<b>94,574</b>	<b>270,002</b>
<b>Accumulated depreciation</b>							
As at 1 January 2016	4,413	6,455	1,181	1,636	3,620	–	17,305
Charge for the period	1,935	838	197	279	944	–	4,193
<b>As at 30 June 2016 (unaudited)</b>	<b>6,348</b>	<b>7,293</b>	<b>1,378</b>	<b>1,915</b>	<b>4,564</b>	<b>–</b>	<b>21,498</b>
<b>Net book amount</b>							
<b>As at 30 June 2016 (unaudited)</b>	<b>133,725</b>	<b>11,306</b>	<b>1,288</b>	<b>2,323</b>	<b>5,288</b>	<b>94,574</b>	<b>248,504</b>
As at 31 December 2015 (audited)	135,660	11,430	1,078	2,422	6,232	61,419	218,241

As at 30 June 2016, the Group's buildings amounting to RMB32,465,000 (31 December 2015: RMB10,120,000) were pledged to the banks to secure the bank borrowings granted to the Group.

## 13. TRADEMARK

	<b>Trademark</b> <i>RMB'000</i>
<b>Cost</b>	
As at 1 January 2016	500
<b>As at 30 June 2016 (unaudited)</b>	<b>500</b>
<b>Accumulated amortisation</b>	
As at 1 January 2016	62
Charge for the period	47
<b>As at 30 June 2016 (unaudited)</b>	<b>109</b>
<b>Net book amount</b>	
<b>As at 30 June 2016 (unaudited)</b>	<b>391</b>
As at 31 December 2015 (audited)	438

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

#### 14. INVENTORIES

	As at 30 June 2016 <i>RMB'000</i> (unaudited)	As at 31 December 2015 <i>RMB'000</i> (audited)
Raw materials	10,587	19,330
Work in progress	683	1,377
Finished goods	4,541	6,008
	<u>15,811</u>	<u>26,715</u>

#### 15. TRADE AND OTHER RECEIVABLES

	As at 30 June 2016 <i>RMB'000</i> (unaudited)	As at 31 December 2015 <i>RMB'000</i> (audited)
<b>Trade receivables</b>		
– from third parties	<u>50,063</u>	46,425
<b>Deposits, prepayments and other receivables</b>		
Prepayments	3,766	2,492
Prepayments for construction materials	10,000	–
Other tax receivables	7,348	8,645
Deposits	263	134
Other receivables	3,562	4,134
	<u>24,939</u>	<u>15,405</u>
	<u>75,002</u>	<u>61,830</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 30 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 impairment, is as follows:

	As at <b>30 June</b> <b>2016</b> <i>RMB'000</i> (unaudited)	As at 31 December 2015 <i>RMB'000</i> (audited)
0-30 days	49,879	43,784
31-60 days	184	2,551
91-365 days	—	90
	<u>50,063</u>	<u>46,425</u>

As at 30 June 2016, no trade receivables were individually determined to be impaired (31 December 2015: nil).

#### 16. TRADE AND OTHER PAYABLES

	As at <b>30 June</b> <b>2016</b> <i>RMB'000</i> (unaudited)	As at 31 December 2015 <i>RMB'000</i> (audited)
Trade and bills payables		
– to third parties	<u>23,043</u>	<u>31,396</u>
Accrued charges and other payables		
– Deposits from customers	2,939	170
– Salaries payables	8,660	8,168
– Other tax payables	1,694	433
– Other payables	<u>563</u>	<u>2,722</u>
	<u>13,856</u>	<u>11,493</u>
	<u>36,899</u>	<u>42,889</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:

	<b>As at 30 June 2016 RMB'000 (unaudited)</b>	As at 31 December 2015 RMB'000 (audited)
0-30 days	<b>23,043</b>	26,749
31-60 days	–	4,607
61-90 days	–	–
91-180 days	–	40
	<b><u>23,043</u></b>	<b><u>31,396</u></b>

## 17. CONVERTIBLE BONDS

On 18 May 2016, the Company issued convertible bonds due 17 May 2018 (“**Maturity Date**”), in the aggregate principal amount of HK\$20,000,000 (equivalent to RMB17,130,000) with annual coupon rate of 4%. Each bond will, at the discretion of the holder, be convertible at any time between the date of issue of the bonds and their maturity date on 17 May 2018 into fully paid ordinary shares of the Company with a par value of HK\$1.00 each at an initial conversion price of HK\$0.529 per share. If the bonds have not been converted, they will be redeemed on maturity date at par plus accrued interest. The initial fair values of the liability component and the equity conversion component, based on net proceeds, were determined at issuance of the bonds. On initial recognition, the fair value of the liability component, included in the convertible, was calculated using a market interest rate of 9.38% for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in equity in convertible bond reserves.

The convertible bonds recognised in the condensed consolidated statement of financial position is calculated as follows:

	<b>As at 30 June 2016 RMB'000 (unaudited)</b>
Face value of convertible bonds issued on 18 May 2016	<b>17,130</b>
Transaction costs	<b>(343)</b>
<b>Equity component credited to the equity</b>	<b><u>(1,240)</u></b>
<b>Liability component</b>	<b><u><u>15,547</u></u></b>

No convertible bonds were converted to ordinary shares of the Company during the period or subsequent to 30 June 2016 and up to the date of this announcement.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue and gross profit margin

	Six months ended				Revenue % change
	30 June 2016		30 June 2015		
	Revenue <i>RMB'000</i>	Gross Profit margin %	Revenue <i>RMB'000</i>	Gross Profit margin %	
CMS business					
Cosplay costumes	82,864	27.3%	108,246	27.9%	(23.4%)
Cosplay wigs	79,892	26.2%	93,482	27.9%	(14.5%)
Sexy lingerie	23,665	31.4%	3,107	25.6%	661.7%
Others	968	28.5%	1,629	20.9%	(40.6%)
	<u>187,389</u>	<u>27.4%</u>	<u>206,464</u>	<u>27.8%</u>	
OBM business					
Cosplay costumes	32,862	34.3%	29,441	35.9%	11.6%
Cosplay wigs	27,078	25.9%	21,364	26.9%	26.7%
Sexy lingerie	11,597	38.4%	1,403	26.2%	726.6%
Others	80	45.0%	–	–	N/A
	<u>71,617</u>	<u>31.8%</u>	<u>52,208</u>	<u>32.0%</u>	
Total	<u><u>259,006</u></u>	<u><u>28.6%</u></u>	<u><u>258,672</u></u>	<u><u>28.7%</u></u>	

## **Revenue**

During the six months ended 30 June 2016, 72.3% (2015: 79.8%) of our total revenue was mainly derived from our Contract Manufacturing Service (“CMS”) business. Our revenue derived from the CMS business decreased from approximately RMB206.5 million to approximately RMB187.4 million, representing a decrease of approximately 9.2%. Such decrease was mainly due to the shift of the Group’s resources from the CMS business to the OBM business and markets, and the shift of CMS’s production capacity to fulfil the orders of the OBM customers.

The revenue derived from our Original Brand Manufacturing (“OBM”) business increased from approximately RMB52.2 million to approximately RMB71.6 million, representing an increase of approximately 37.2%. Such increase was mainly attributable to the increase in the revenue from the OBM sexy lingerie resulting from the continuous implementation of our strategy in expanding our OBM products under our own brand.

## **Gross profit margin**

Our gross profit margin maintained at around 28.6%. Our ability to maintain a stable gross profit margin during the period was mainly attributable to (i) the continuous reinforcement of our pricing strategy on a cost plus basis which enabled us to maintain a high gross profit margin; (ii) economies of scale achieved by our increased scale of production with increasing orders from our customers; and (iii) our more favorable position to bargain for better price of raw materials from our suppliers as a result of increased purchasing power.

## **Cost of sales**

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

## **Other income**

Our other income decreased by approximately RMB1.7 million, from approximately RMB3.0 million to approximately RMB1.3 million. The decrease was primarily due to an decrease in exchange gain of approximately RMB1.7 million.

## **Selling expenses**

Our selling expenses primarily consist of delivery expenses, staff costs and advertising and marketing expenses. Selling expenses represent approximately 2.6% and 2.7% of the revenue for the six months ended 30 June 2016 and 2015, respectively.

## **Administrative and other operating expenses**

Our administrative and other operating expenses decreased by approximately RMB2.5 million, from approximately RMB24.1 million to approximately RMB21.6 million. The decrease was primarily due to a decrease in IPO expenses of approximately RMB7.8 million and partially offset by an increase in research and development cost and depreciation of approximately RMB1.8 million and RMB2.2 million respectively.

## **Finance costs**

Our finance costs decreased by approximately RMB0.6 million, from approximately RMB1.2 million to approximately RMB0.6 million. The decrease in finance costs was primarily due to the overall reduction of loan level during the period and the fact that substantial amount of the short term borrowings only been raised in May 2016.

## **Share of loss of a joint venture**

Share of loss of a joint venture represents the share of loss of the Group's joint venture using equity method of accounting. During the period under review, the Group had setup an joint venture with another two investors, and the joint venture will be principally engaged into the development of mobile game and gaming derivative products which include cosplay costumes and other entertainment products.

## **Income tax**

Our income tax expense decreased by approximately RMB0.4 million, from approximately RMB13.5 million to approximately RMB13.1 million. Our effective tax rate maintained at 28.2% and 30.1% for both periods under review respectively.

## Financial resources and liquidity

As at 30 June 2016, the total amount of cash and cash equivalent of the Group was approximately RMB153.7 million, an increase of approximately RMB45.5 million compared with that as at 31 December 2015. The increase was mainly arose from the issuance of convertible bond of the Company of approximately RMB16.8 million and the increase in net bank borrowings of approximately RMB32.0 million. As at 30 June 2016, the financial ratio of the Group were as follows:

	<b>As at 30 June 2016</b>	As at 31 December 2015
Current ratio <sup>(1)</sup>	<b>278.9%</b>	328.7%
Gearing ratio <sup>(2)</sup>	<b>14.5%</b>	<b>3.0%</b>

Notes:

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

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

## Capital expenditure

During the six months ended 30 June 2016, the Group invested approximately RMB34.5 million in property, plant and equipment, which mainly consist of construction of the research and development centre, e-commerce operation centre and service and experience centre located on our Yiwu Production Plant.

## Pledged of assets

As at 30 June 2016, the bank loans were secured by the Group's prepaid land lease payments with carrying value of approximately RMB3.4 million (31 December 2015: RMB11.8 million) and buildings with carrying value of approximately RMB32.5 million (31 December 2015: RMB10.1 million).

## **Contingent liabilities**

The Group did not have any significant contingent liabilities as at 30 June 2016 and 31 December 2015.

## **Foreign currency exposure**

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

## **Use of proceed**

The Company's shares were listed on the Stock Exchange on 16 October 2015 and raised a net proceeds from IPO of approximately HK\$158.7 million (equivalent to approximately RMB130.0 million). During the period between the listing date and 30 June 2016, approximately HK\$81.2 million (equivalent to approximately RMB66.5 million) were utilized in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 September 2015. The unused net proceeds have been placed as interest bearing deposits with licensed banks in Hong Kong and PRC.

Convertible bonds in principal amount of HK\$20 million were issued on 18 May 2016. The net proceeds were intended to be used for future possible acquisition(s), future development and general working capital of the Group. As at the date of this announcement, HK\$4.75 million from of the proceeds has been assigned to the development of a joint venture engaged into the development of mobile game and gaming derivative products which include cosplay costumes and other entertainment products.

## Employees and remuneration policy

As of 30 June 2016, we had approximately 2,023 employees. Total staff costs for the period amounted to approximately RMB53.6 million. The remuneration policy of the Group is reviewed regularly according to the relevant market practice, employee performance and the financial performance of the Group. There is no significant change in the Group's remuneration policies.

## BUSINESS REVIEW

The Group is principally engaged in design, develop, produce, sell and market cosplay products (including cosplay costumes and cosplay wigs) and non-cosplay apparels including mainly sexy lingerie. Our products are principally for export sales to more than 30 countries and regions around the globe including mainly the US, Germany, the UK and Australia.

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

	Six months ended				Increase (decrease) of revenue (approximate %)
	30 June 2016		30 June 2015		
	<i>Revenue</i> <i>RMB'000</i>	<i>% of total</i>	<i>Revenue</i> <i>RMB'000</i>	<i>% of total</i>	
CMS business	187,389	72.3%	206,464	79.8%	(9.2%)
OBM business	71,617	27.7%	52,208	20.2%	37.2%
Total	<u>259,006</u>	<u>100.0%</u>	<u>258,672</u>	<u>100.0%</u>	<u>0.1%</u>



## Revenue by operating and reportable segments

	Six months ended				Increase (decrease) of revenue (approximate %)
	30 June 2016		30 June 2015		
	<i>Revenue RMB'000</i>	<i>% of total</i>	<i>Revenue RMB'000</i>	<i>% of total</i>	
Wigs	106,970	41.3%	114,846	44.4%	(6.9%)
Clothing and others	152,036	58.7%	143,826	55.6%	5.7%
Total	<b>259,006</b>	<b>100.0%</b>	<b>258,672</b>	<b>100.0%</b>	<b>0.1%</b>

There is a growing recognition by our OBM customers in our cosplay costumes, cosplay wigs and sexy lingerie under our own brands of “*Styler*”, “*Party Time*” and “*Secret Temptations*” respectively, together with the commencement of direct sales channels by the “*WithCity*” e-shops in the PRC. Revenue from OBM business had increased from approximately RMB52.2 million to approximately RMB71.6 million.

Profit attributable to the equity holders of the Company for the six months ended 30 June 2016 amounted to approximately RMB33.3 million, representing a 16.6% increase compared with the corresponding period, mainly due to the IPO expenses of approximately of RMB7.8 million incurred for the six months ended 30 June 2015.

## BUSINESS PROSPECTS

Looking ahead, the global economic downside risk increased due to the Brexit, economic slowdown in China and the geopolitical tensions such as slowing growth in emerging markets, the end of the quantitative easing program in the USA, and the instability in Middle East and Eastern Europe. Individual market may suffer due to these reasons. Fortunately, our customers were diversified over 30 countries. As far as the management of the Group is aware, there is neither recent industry or regulatory changes nor unfavourable trends or developments which may have a material adverse impact on the Group’s operations, business and financial performance.

Nevertheless, the Group will continue to focus on expanding the PRC domestic market by further strengthening our research and development on products to fit the needs of the PRC domestic customers, and look for the opportunities to cooperate with the owners of intellectual property right in mobile game, animation and movie. The Group will also look for new business opportunities from time to time to diversify its business.

On 20 June 2016, the Group, setup a joint venture with 47.5% shareholding, the remaining shareholders of the joint venture are the convertible bonds holder and the other investor. The joint venture will be principally engaged in the development of mobile game and gaming derivative products which include cosplay costumes and other entertainment products.

The Group intends to explore business opportunities by entering the mobile game and gaming derivative industry to create synergy effect and contribute value to the long term development of the Group.

## **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2016.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor its subsidiary purchased, redeemed or sold any of the Company's listed securities for the six months ended 30 June 2016.

## **CORPORATE GOVERNANCE**

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (“**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

To the knowledge of the Board, the Company had fully complied with the relevant code provisions in the CG Code for the six months ended 30 June 2016 save for the deviation as explained below.

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The roles of the chairman and the chief executive officer of the Company are not separate and both are performed by Mr. Chen Sheng Bi. In view of Mr. Chen is the founder of our Group and has been operating and managing our Group since 2004, our Board believes that it is in the best interest of our Group to have Mr. Chen taking up both roles for effective management and business development. Therefore, our Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS**

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

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

## **REVIEW OF INTERIM RESULTS AND INTERIM REPORT**

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

In addition, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2016 have been reviewed by our independent auditor, Messrs. Grant Thornton Hong Kong Limited, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

## **PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.partytime.com.cn](http://www.partytime.com.cn)), and the interim report of the Company for the six months ended 30 June 2016 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the above websites in due course.

By order of the Board  
**China Partytime Culture Holdings Limited**  
**Chen Sheng Bi**  
*Chairman*

Hong Kong, 26 August 2016

*As at the date of this announcement, the Board comprises (i) three Executive Directors, namely Mr. Chen Sheng Bi, Mr. Lin Xin Fu and Mr. Lu Yilin; (ii) one Non-executive Director, namely Ms. Chen Sheng; and (iii) three Independent Non-executive Directors, namely Mr. Leung Siu Hong; Mr. Chen Wen Hua and Ms. Peng Xu.*