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 2016

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 the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2016** ***RMB'000***	2015 *RMB'000*
Revenue	*5*	**513,883**	569,605
Costs of sales		**(368,826)**	(404,162)
Gross profit		**145,057**	165,443
Other income	*6*	**3,564**	6,902
Selling expenses		**(13,978)**	(16,782)
Administrative and other operating expenses		**(53,659)**	(54,988)
Profit from operations		**80,984**	100,575
Share of loss of a joint venture		**(2)**	–
Finance costs	*7*	**(2,247)**	(2,196)

	Notes	**2016** **RMB'000**	2015 RMB'000
Profit before income tax	*8*	**78,735**	98,379
Income tax expense	*9*	**(22,053)**	(28,787)
Profit for the year		**56,682**	69,592
Other comprehensive (expense)/income			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operation recognised		**(710)**	1,017
Other comprehensive (expense)/income for the year, net of nil tax		**(710)**	1,017
Total comprehensive income for the year		**55,972**	70,609
Profit for the year attributable to:			
Equity holders of the Company		**56,682**	66,716
Non-controlling interests		**–**	2,876
		56,682	69,592
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**55,972**	67,733
Non-controlling interests		**–**	2,876
		55,972	70,609
Earnings per share for profit attributable to equity holders of the Company	*10*	***RMB (cents)***	*RMB (cents)*
Basic		**7.50**	11.06
Diluted		**7.39**	11.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2016 RMB'000	2015 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Trademark		**344**	438
Prepaid land lease payments		**12,683**	12,976
Property, plant and equipment		**353,044**	218,241
Interest in a joint venture		**2**	–
		366,073	231,655
Current assets			
Inventories		**28,892**	26,715
Trade and other receivables	*12*	**78,247**	61,830
Prepaid land lease payments		**293**	293
Bank balances and cash		**81,604**	108,274
		189,036	197,112
Current liabilities			
Trade and other payables	*13*	**50,071**	42,889
Short term borrowings		**60,700**	11,000
Income tax payable		**1,584**	6,085
		112,355	59,974
Net current assets		**76,681**	137,138
Total assets less current liabilities		**442,754**	368,793
Non-current liability			
Convertible bonds	*14*	**16,749**	–
		16,749	–
Net assets		**426,005**	368,793
Capital and reserves			
Share capital		**6,209**	6,209
Reserves		**419,796**	362,584
Total equity		**426,005**	368,793

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**") 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.

As at 31 December 2016, the directors consider the ultimate controlling shareholders of the Company to be Mr. Chen Sheng Bi and his brother, Mr. Chen Sheng Guan, through their respective wholly-owned companies, Master Professional Holdings Limited and Summit Quest Holdings Limited, both incorporated in the British Virgin Islands.

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.

3. Adoption of new and amended HKFRSs

New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2016

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2016:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The impact of the adoption of the new and amended HKFRSs is discussed below:

Amendments to HKAS 1: Disclosure Initiative

The Amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. Furthermore, the Amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

Specifically, the Amendments clarify (i) the materiality requirements in HKAS 1, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information; (ii) clarify that HKAS 1's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated; (iii) add requirements for how an entity should present subtotals in the statement(s) of profit or loss and other comprehensive income and the statement of financial position; (iv) clarify that entities have flexibility as to the order in which they present the notes, but also emphasis that understandability and comparability should be considered by an entity when deciding that order; and (v) remove potentially unhelpful guidance in HKAS 1 for identifying a significant accounting policy.

The Amendments also clarify that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

The Amendments have had no material impact on these consolidated financial statements.

Amendments to HKAS 27 (2011) Equity Method in Separate Financial Statements

Amendments to HKAS 27 (2011) allow the use of equity method to account for investments in subsidiaries, joint ventures and associates in the separate financial statements. The amendments have had no impact on these consolidated financial statements.

Annual Improvements to HKFRSs 2012-2014 Cycle

The amendments contained in this cycle of annual improvements that are relevant to the Group are detailed below:

HKFRS 7 "Financial Instruments": provides additional guidance in identifying the circumstances under which a servicing contract is considered to be 'continuing involvement' for the purposes of applying the disclosure requirements for transferred assets. The amendments also clarifies that the additional disclosure required by the amendments to HKFRS 7 on offsetting financial assets and financial liabilities is not specifically required for all interim periods, except where the disclosures provide a significant update to the information reported in the most recent annual report, in which case the disclosures should be included.

Issued but not yet effective HKFRSs

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

[1] *Effective for annual periods beginning on or after 1 January 2018.*
[2] *Effective date to be determined.*
[3] *Effective for annual periods beginning on or after 1 January 2019.*
[4] *Effective for annual periods beginning on or after 1 January 2017.*

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's financial statements.

HKFRS 9 (2014) "Financial instruments"

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 and will replace HKAS 39 in its entirety. The new standard introduces changes to HKAS 39's guidance on the classification and measurement of financial assets. Under HKFRS 9, each financial asset is classified into one of three main classification categories: amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL). The classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. An entity may make an irrevocable election at initial recognition to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

Most of the HKAS 39's requirements for financial liabilities were carried forward unchanged to HKFRS 9. The requirements related to the fair value option for financial liabilities have however been changed to address own credit risk. Where an entity chooses to measure its own debt at fair value, HKFRS 9 requires the amount of the change in fair value due to changes in the entity's own credit risk to be presented in other comprehensive income, unless effect of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss, in which case, all gains or losses on that liability are to be presented in profit or loss.

HKFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, entities are required to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

HKFRS 9 also provides new guidance on the application of hedge accounting. The new hedge accounting models retain the three types of hedge accounting and the requirements of formal designation and documentation of hedge accounting relationships. The new hedge accounting requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

The directors are currently assessing the possible impact of HKFRS 9 on the Group's results and financial position in the first year of application.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. HKFRS 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

1. Identify the contract(s) with customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. More prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The directors have started to assess the impact of this HKFRS that not yet in a position to provide qualitative information.

HKFRS 16 "Leases"

HKFRS 16 "Leases" will replace HKAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability. HKFRS 16 is effective from periods beginning on or after 1 January 2019. The directors are yet to fully assess the impact of HKFRS 16 and therefore is unable to provide quantified information. However, in order to determine the impact the Group are in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under HKFRS 16's new definition

- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices

- assessing their current disclosures for operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets

- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions

- assessing the additional disclosures that will be required.

Amendments to HKAS 7: Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be made in the financial statements. The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The directors consider that the application of Amendments to HKAS 7 in the future will not have a significant 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 lines.

The Group has identified the following reportable segments:

(a) Wigs; and

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

Each of these operating 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.

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

	Year ended 31 December 2016		
	Wigs	**Clothing and others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Revenue from external customers	**221,826**	**292,057**	**513,883**
Segment results	**49,187**	**81,892**	**131,079**
Finance costs			**(2,247)**
Bank interest income			**502**
Loss on disposal of property, plant and equipment			**(27)**
Share of loss of a joint venture			**(2)**
Unallocated income			**3,062**
Unallocated expenses			**(53,632)**
Profit before income tax			**78,735**
Income tax expense			**(22,053)**
Profit for the year			**56,682**
Other segment items			
Depreciation and amortisation	**3,543**	**6,502**	**10,045**
Capital expenditure	**23,903**	**120,588**	**144,491**

	Year ended 31 December 2015		
	Wigs	Clothing and others	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue from external customers	231,456	338,149	569,605
Segment results	56,399	92,304	148,703
Finance costs			(2,196)
Bank interest income			272
Loss on disposal of property, plant and equipment			(106)
Unallocated income			6,630
Unallocated expenses			(54,924)
Profit before income tax			98,379
Income tax expense			(28,787)
Profit for the year			69,592
Other segment items			
Depreciation and amortisation	3,614	2,945	6,559
Capital expenditure	3,387	91,299	94,686

	As at 31 December 2016			
	Wigs	**Clothing and others**	**Unallocated**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Reportable segment assets	**135,485**	**323,456**	**96,168**	**555,109**
Reportable segment liabilities	**17,869**	**29,528**	**81,707**	**129,104**

	As at 31 December 2015			
	Wigs	Clothing and others	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment assets	196,724	108,441	123,602	428,767
Reportable segment liabilities	19,180	20,554	20,240	59,974

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.

	2016	2015
	RMB'000	*RMB'000*
PRC (place of domicile)	**16,912**	15,103
United States ("**US**")	**203,256**	259,672
Germany	**32,771**	38,801
United Kingdom ("**UK**")	**40,878**	49,445
Australia	**50,247**	38,718
Holland	**20,795**	37,605
Japan	**33,992**	23,613
Brazil	**24,577**	22,502
Israel	**31,509**	20,908
France	**3,149**	8,809
Other	**55,797**	54,429
	496,971	554,502
	513,883	569,605

The Group's non-current assets are all located in the PRC.

Information about major customers

No customers contribute over 10% of revenue to the Group during the year ended 31 December 2016 (2015: nil).

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, after allowances for returns and trade discounts.

6. Other income

	2016	2015
	RMB'000	*RMB'000*
Exchange gain	**2,447**	6,422
Interest income	**502**	272
Government grant	**580**	100
Others	**35**	108
	3,564	6,902

7. Finance costs

	2016	2015
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**2,632**	3,844
Interest on convertible bonds	**916**	–
Total borrowing cost	**3,548**	3,844
Less: amounts capitalised into construction in progress	**(1,301)**	(1,648)
	2,247	2,196

* *The borrowing cost have been capitalised at a weighted average rate of 5.46 % per annual (2015: 6.85%).*

8. Profit before income tax

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

	2016	2015
	RMB'000	*RMB'000*
Auditors' remuneration	**1,141**	771
Cost of inventories recognised as an expense	**254,951**	289,340
Depreciation	**9,658**	6,204
Amortisation of prepaid land lease payments	**293**	293
Amortisation of trademark	**94**	62
Loss on disposal of property, plant and equipment	**27**	106
Operating lease charges in respect of land and buildings	**516**	168
Exchange gain	**(2,447)**	(6,422)
Research and development cost	**24,502**	19,403
Listing expenses (included in administrative and other operating expenses)	**–**	15,469
Government grant	**(580)**	(100)
Staff costs		
Salaries, allowances and other benefits	**101,255**	86,430
Contributions to defined contribution retirement plans	**14,015**	12,211
	115,270	98,641

9. Income tax expense

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 2016 (2015: nil).

The provision for PRC enterprise income tax has been provided at the applicable tax rate of 25% (2015: 25%) on the assessable profits of the PRC subsidiaries.

	2016	2015
	RMB'000	*RMB'000*
Current tax – PRC enterprise income tax		
Current year	**22,053**	28,936
Overprovision for prior year	**–**	(149)
	22,053	28,787

10. Earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the Company of RMB56,682,000 (2015: RMB66,716,000) and the weighted average 756,234,000 ordinary shares in issue during the year ended 31 December 2016 (2015: 603,045,000 in issue during the year, 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 2015).

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to equity holders of the Company for the purpose of basic earnings per share	**56,682**	66,716
Effect of dilutive potential ordinary shares		
Interest on convertible bonds	**916**	–
Earnings for the purpose of diluted earnings per share	**57,598**	66,716
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**756,234**	603,045
Effect of dilutive potential ordinary shares:		
– convertible bonds	**23,552**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**779,786**	603,045

The calculation of the diluted earnings per share for the year ended 31 December 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 year. The weighted average number of ordinary shares used in the calculation of the diluted earnings per share for the year ended 31 December 2016 is the number of ordinary shares in issue during the year, 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 year.

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2015 as the Group had no potentially dilutive ordinary shares in issue for the year ended 31 December 2015. The basic earnings per share equals to the diluted earnings per share.

11. Dividends

No dividend was paid or proposed during 2016, nor has any dividend been proposed since the end of reporting period (2015: nil).

12. Trade and other receivables

	2016	2015
	RMB'000	*RMB'000*
Trade receivables		
– from third parties	**26,522**	46,425
Deposits, prepayments and other receivables		
Prepayments	**5,237**	2,492
Prepayment for property, plant and equipment	**34,621**	–
Other tax receivables	**8,527**	8,645
Deposits	**273**	134
Other receivables	**3,067**	4,134
	51,725	15,405
	78,247	61,830

The Directors consider that the fair values of trade and other receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception. 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:

	2016	2015
	RMB'000	*RMB'000*
0-30 days	**24,404**	43,784
31-60 days	**2,013**	2,551
61-90 days	**–**	–
91-365 days	**105**	90
	26,522	46,425

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

The ageing analysis of trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2016	2015
	RMB'000	*RMB'000*
Neither past due nor impaired	**24,404**	43,784
1-30 days past due	**2,013**	2,551
31-60 days past due	**–**	–
61-90 days past due	**95**	90
Over 90 days past due	**10**	–
	26,522	46,425

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

13. Trade and other payables

	2016	2015
	RMB'000	*RMB'000*
Trade payables		
– to third parties	**36,377**	31,396
Accrued charges and other payables		
– Deposits from customers	**467**	170
– Salaries payable	**10,553**	8,168
– Interest payable	**358**	–
– Other tax payables	**998**	433
– Other payables	**1,318**	2,722
	13,694	11,493
	50,071	42,889

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:

	2016	2015
	RMB'000	*RMB'000*
0-30 days	**36,377**	26,749
31-60 days	**–**	4,607
61-90 days	**–**	–
91-180 days	**–**	40
	36,377	31,396

All amounts are short term and hence the carrying values of trade and other payables are considered to be a reasonable approximation of their fair value.

14. 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 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 bonds, 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 liability component and equity conversion component upon issuance are as follows:

	RMB'000
Face value of convertible bonds issued on 18 May 2016	17,130
Transaction costs	(343)
Equity conversion component credited to the equity	(1,240)
Liability component	**15,547**

The movement of the convertible bonds during the year are set out below:

	RMB'000
Liability component	
Issued during the year	15,547
Accrued effective interest charges	916
Interests paid	(81)
Exchange adjustments	725
Carry amount carried forward	17,107

	RMB'000
Liability components is represented by:	
Convertible bonds	16,749
Accrued interests included in trade and other payables	358
	17,107

No convertible bonds were converted to ordinary shares of the Company during the year or subsequent to 31 December 2016 and up to the date of this announcement.

The principal amount outstanding at 31 December 2016 is approximately RMB17,855,000 (2015: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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 Contract Manufacturing Service ("**CMS**") business and Original Brand Manufacturing ("**OBM**") business.

	2016		2015		Increase (decrease) of revenue
	Revenue	**% of total**	Revenue	% of total	(approximate
	RMB'000		*RMB'000*		%)
CMS business	**364,639**	**71.0%**	433,344	76.1%	(15.9%)
OBM business	**149,244**	**29.0%**	136,261	23.9%	9.5%
Total	**513,883**	**100.0%**	569,605	100.0%	(9.8%)

Revenue by operating and reportable segments

	2016		2015		Increase (decrease) of revenue
	Revenue	**% of total**	Revenue	% of total	(approximate
	RMB'000		*RMB'000*		%)
Wigs	**221,826**	**43.2%**	231,456	40.6%	(4.2%)
Clothing and others	**292,057**	**56.8%**	338,149	59.4%	(13.6%)
Total	**513,883**	**100.0%**	569,605	100.0%	(9.8%)

As certain markets' demand affected by Brexit and US presidential election during the year, revenue from CMS business had decreased from approximately RMB433.3 million to approximately RMB364.6 million.

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 in certain newly developed markets, revenue from OBM business had increased from approximately RMB136.3 million to approximately RMB149.2 million.

Profit for the year attributable to the equity holders of the Company decreased from approximately RMB66.7 million to approximately RBM56.7 million. Such decrease is primarily attributable to (i) a decrease in turnover by approximately 10% for the year ended 31 December 2016 as compared to that for the year ended 31 December 2015 due to the drop in the certain markets' demand as affected by Brexit and US presidential election during the year ended 31 December 2016; and (ii) the increase in research and development expenses for the development of the PRC market, such as enhancement of the products variety and different patents and technique.

FINANCIAL REVIEW

Revenue and Gross Profit

	2016		2015		
		Gross Profit		Gross Profit	Revenue %
	Revenue	**margin**	Revenue	margin	change
	RMB'000		*RMB'000*		
CMS business					
Cosplay costumes	**142,733**	**28.4%**	212,139	27.9%	(32.7%)
Cosplay wigs	**160,513**	**25.2%**	178,594	27.7%	(10.1%)
Sexy lingerie	**60,235**	**31.5%**	39,586	28.9%	52.2%
Others	**1,158**	**28.3%**	3,025	24.1%	(61.7%)
	364,639	**27.5%**	433,344	27.9%	(15.9%)
OBM business					
Cosplay costumes	**62,455**	**34.0%**	67,497	38.2%	(7.5%)
Cosplay wigs	**61,313**	**24.1%**	52,862	26.8%	16.0%
Sexy lingerie	**24,753**	**34.0%**	15,501	29.8%	59.7%
Others	**723**	**33.6%**	401	23.7%	80.3%
	149,244	**29.9%**	136,261	32.8%	9.5%
Total	**513,883**	**28.2%**	569,605	29.0%	(9.8%)

Revenue

During the year ended 31 December 2016, our revenue was mainly derived from our CMS business, representing approximately 71.0% (2015: 76.1%) of total revenue respectively. Our revenue derived from the CMS business decreased from approximately RMB433.3 million to approximately RMB364.6 million, representing a decrease of approximately 15.9%. Such decrease was mainly attributable to the drop in certain markets' demand as affected by Brexit and US presidential election during the year.

The revenue derived from our OBM business increased from approximately RMB136.3 million to approximately RMB149.2 million, representing an increase of approximately 9.5%. Such increase was mainly attributable to the increase in the revenue from the OBM sexy lingerie and the OBM cosplay wigs, resulting from the continuous implementation of our strategy in expanding our OBM products under our own brand in certain newly developed markets.

Gross profit margin

Our gross profit margin slightly decreased from approximately 29.0% to approximately 28.2%. Our ability to maintain a stable gross profit margin during the year was mainly attributable to the continuous reinforcement of our pricing strategy on a cost plus basis which enabled us to maintain a high gross profit margin; and our more favorable position to bargain for better price of raw materials from our suppliers as a result of increased purchasing power.

During the year ended 31 December 2016, our OBM products generally had higher gross profit margins than our CMS products.

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 RMB3.3 million, from approximately RMB6.9 million to approximately RMB3.6 million. The decrease was primarily due to a decrease in exchange gain of approximately RMB4.0 million.

Selling expenses

Our selling expenses decreased by approximately RMB2.8 million, from approximately RMB16.8 million to approximately RMB14.0 million. The decrease was primarily due to a decrease in transportation expense of approximately RMB2.5 million resulting from our decreased export sales to overseas.

Administrative and other operating expenses

Our administrative and other operating expenses decreased by approximately RMB1.3 million, from approximately RMB55.0 million to approximately RMB53.7 million. The decrease was primarily due to (i) an increase in salaries and welfare expense of approximately RMB3.4 million as a result of increase in the average number of administration and management staff; (ii) an increase in research and development cost of approximately RMB5.1 million; and (iii) a decrease in listing expense of approximately RMB15.5 million incurred in 2015.

Finance costs

Our finance costs increased by approximately RMB0.1 million, from approximately RMB2.1 million to approximately RMB2.2 million. The increase was primarily due to the interests paid for the convertible bonds issued during the year.

Income tax

Our income tax expense decreased by approximately RMB6.7 million, from approximately RMB28.8 million to approximately RMB22.1 million. Our effective tax rate decreased from 29.3% to 28.0% was primarily due to the decrease in tax non-deductible expenses such as listing expenses incurred in 2015.

Financial resources and liquidity

As at 31 December 2016, the total amount of bank balances and cash of the Group was approximately RMB81.6 million, a decrease of approximately RMB26.7 million compared with that as at 31 December 2015. The decrease was mainly arising from the payment of construction costs of the two new factory buildings at our Yichun Production Plant and the research and development, service and experience centre at our Yiwu Production Plant.

As at 31 December 2016, current ratio and gearing ratio was 168.2% and 18.2% respectively, represented a decrease of 160.5% and an increase of 15.2% compared with corresponding year respectively. The decrease in current ratio was mainly arising from the capital expenditure invested approximately RMB144.5 million in property, plant and equipment and the increase in gearing ratio was mainly arising from the increase in of borrowings of approximately RMB49.7 million and convertible bonds of approximately RMB16.7 million.

Capital expenditure

During the year ended 31 December 2016, the Group invested approximately RMB144.5 million in property, plant and equipment, mainly represented construction of the two new factory buildings at our Yichun Production Plant and the research and development, service and experience centre at our Yiwu Production Plant.

Pledged of assets

As at 31 December 2016, the bank loans were secured by the Group's prepaid lease payment and buildings with carrying value of approximately RMB13.0 million and RMB128.3 million respectively.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2016.

Foreign currency exposure

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

Human resources

As of 31 December 2016, we had approximately total 1,919 employees. Total staff costs for the year amounted to approximately RMB115.3 million.

Remuneration policy

The remuneration policy of the employees (including key management) of the Group was established by the management of the Group on the basis of their merit, qualifications and competence. The Remuneration Committee will review and approve the remuneration policy to be recommended to the Board for approval.

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, is involved in dealing with his own remuneration.

We have adopted 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 remuneration and benefits of our employees according to the relevant market practice, employee performance and the financial performance of the Company.

USE OF PROCEED FROM THE COMPANY'S SHARE OFFER

The Company's ordinary shares were listed on the Main Board of the Stock Exchange on 16 October 2015. The net proceeds from initial public offering amounted to approximately HK$158.7 million (equivalent to approximately RMB130.0 million) after deduction of related expenses.

As at 31 December 2016, the net proceeds had been fully utilized and had been applied to the following uses:

Use of proceeds	Net proceeds *HK$ million*	Proceed used *HK$ million*	% of utilised
For construction two new factory buildings at our Yichun Production Plant	63.5	63.5	100%
For set up a research and development centre at out Yiwu Production Plant	31.7	31.7	100%
For set up an e-commerce operation centre and a service and experience centre at Yiwu Production Plant	47.6	47.6	100%
For working capital	15.9	15.9	100%
Total	158.7	158.7	100%

PROSPECTUS

Looking ahead, the emergence of trade protectionism and also the economic slowdown in China have exerted challenges to the business environment. The increase in raw material prices since October 2016 is expected to exert certain pressure on production costs in the coming years. Meanwhile, RMB exchange rate depreciation will offset certain of its impact. But in the long run, the Group will enhance its added-value and expect to bring comprehensive solution services to customers. It will increase the added-value of its product sales commercial model to be the cosplay solutions supplier providing "Products + Services", and strive to develop cosplay and its party products and services to become the preferred number one brand.

To meet the huge domestic market potential and consumer's pursuit for new products and services, the Group is committed to investing resources to develop and expand products that are full of Chinese elements and suitable to domestic markets. The construction of the research and development centre, e-commerce operation centre, service and experience centre and new plants in Yichun will be completed one after another. We expect the domestic market will become the most important market for the Group's future growth.

We will also proceed to mergers and acquisitions, industrial integration and business expansion as and when appropriate, seek for cooperation with intellectual property right owners to engage in different businesses, strengthen the Group's capabilities and rapidly enhance our competitiveness and operation scale.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Monday, 5 June 2017 to Friday, 9 June 2017, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's transfer office and share registrar in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 2 June 2017.

CORPORATE GOVERNANCE REPORT

The Board is committed to achieving high standards of corporate governance to safeguard the interest of the Company's shareholders and to enhance corporate value and accountability. For the year ended 31 December 2016, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules, except in relation to CG Code provision A.2.1, as more particular describe 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.

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 one half of the Board offering practical, independent and differing perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors had compiled with the required standard set out in the Model Code throughout year ended 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2016.

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. Leung Siu Hong (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 2016.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2016 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 2016 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 annual report of the Company for the year ended 31 December 2016 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 24 March 2017

As at the date of this announcement, the Board comprises (i) three Executive Directors, namely Mr. Chen Sheng Bi, Mr. Lu Yilin, Mr. Lin Xin Fu; (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.