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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)

SUPPLEMENTAL ANNOUNCEMENT DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

Reference is made to the announcements of the China Partytime Culture Holdings Limited (the “**Company**”) on 20 June 2022 and 29 June 2022 (collectively referred to the “**Announcements**”) in relation to the Acquisition and the issuance of Consideration Shares under the General Mandate. Terms defined in the Announcements shall have the same meanings when used herein.

The Board wishes to take this opportunity to provide further information to the Shareholders and potential investors of the Company.

THE VALUATION

As disclosed in the Announcements, the Consideration was determined with reference to the Valuation on the entire equity interest in Zhejiang Kelee, the principal operating company of the Target Group, of approximately RMB71.8 million (equivalent to approximately HK\$84.0 million) as at 31 May 2022 as prepared by the Independent Valuer based on market approach by reference to comparable companies.

The Directors have discussed the methodology, comparables and assumptions adopted for the Valuation with the Independent Valuer.

Approach

Since (i) the Income Approach is not adopted as long-term forecasts are unavailable and Income Approach would involve lot of assumptions and the valuation could be largely influenced by any inappropriate assumptions made and (ii) the Asset Approach could not capture the future earning potential of the Zhejiang Kelee and could not reflect the market value of the Zhejiang Kelee. The Board is of the view that given the Market Approach is an objective approach and it is fair and reasonable by adopting this approach on the valuation of the Zhejiang Kelee which was profit-making for the year ended 31 December 2021 and provided that relevant comparables are available to form a reliable basis for the valuation of Zhejiang Kelee.

Comparables

The Independent Valuer adopted the Market Approach by using the price-to-earnings (P/E) ratio and enterprise value to earnings before interest and taxes (EV/EBIT) of comparable companies listed in East Asia and Southeast Asia. The Board has reviewed the background information of the comparables adopted by searching the Reuters website (www.reuters.com) and noted that the comparables adopted are principally engaged in the production and sale of household consumable products, in particular, selling cleaning and hygiene products which are similar to Zhejiang Kelee, as such, they may subject to similar industry risks and rewards as Zhejiang Kelee.

The Board also noted that (i) the P/E ratio of the comparable companies ranged from 6.41x to 10.68x, with the mean and the mean excluding outliers of approximately 9.02x and 9.55x, respectively; and (ii) the EV/EBIT of the comparable companies ranged from 3.36x to 9.61x, with the mean and the mean excluding outliers of approximately 6.90x and 6.73x, respectively. The Independent Valuer adopted the mean excluding outliers as multiple to the corresponding measurement bases.

Having considered the above, the Board consider that the Independent Valuer adopted the Market Approach by using the P/E ratio and EV/EBIT of comparable companies listed in East Asia and Southeast Asia is justifiable.

Other assumptions

As discussed with the Independent Valuer, the multiples are derived from Refinitiv database, and adjusted for the differences in risk (including country risk and size difference). After reviewing the workings provided by the Independent Valuer, the unadjusted multiples and the adjustment factors are derived from Refinitiv database/publicly available data.

The Independent Valuer has adopted a control premium of 24.4% and discount for lack of marketability of 20.6%. As advised by the Independent Valuer, the control premium and lack of marketability discount are commonly adopted factors in market approach, and are supported by research.

Given the above, the Board is of the view that the methodology, the comparables adopted and assumptions adopted are fair and reasonable.

GUARANTEED PROFIT

As disclosed in the Announcements, the Vendor warranted to the Company that (i) the Net Profit 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 Guaranteed Profit was arrived after arm's length negotiation between the Vendor and the Company with reference to historical financial performance of the Zhejiang Kelee with profit-making record, in particular to the unaudited net profit after tax of Zhejiang Kelee of approximately RMB10.4 million for the year ended 31 December 2021. According to the past performance of the Zhejiang Kelee and reviewed the relevant historical information of the Zhejiang Kelee, the Board noted that the revenue and net profit during the Chinese New Year is relatively low as the customers generally avoid the delivery of products around Chinese New Year.

Taking into account that (i) the annualized net profit based on the unaudited results of three months ended 31 March 2022 is approximately RMB8.7 million which is close to RMB10 million; (ii) the relatively low performance during the Chinese New Year; (iii) the net profit after tax of Zhejiang Kelee of approximately RMB10.4 million for the year ended 31 December 2021, the Board considers that the Guaranteed Profit is achievable.

Payment obligation

During the negotiation between the Company and the Vendor, the Company requested to settle approximately RMB7.5 million (equivalent to approximately HK\$8.8 million) in cash after the issue of written confirmation in respect of the Shortfall by the Company (the “**Late Settlement**”) in order to protect the interest of the Company and its shareholder in case the Guaranteed Profit was not met. By considering the maximum Shortfall of approximately RMB20 million, the maximum payable by the Vendor will be approximately RMB2.7 million (being RMB20 million x 51% – RMB7.5 million). Taking into account that (i) the Vendor owns 39% equity interests in Zhejiang Kelee after the Completion; and (ii) the Vendor owns 170,000,000 Considerations Shares after Completion, the Company considers that the Vendor is able to satisfy the payment obligation under the Guaranteed Profit and the implementation of the Late Settlement is able to protect the interest of the Company and its shareholders in case the Guaranteed Profit was not met.

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

5 July 2022

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

If there is any inconsistency in this announcement between the Chinese and English versions, the English version shall prevail.