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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 2023

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 2023, together with the comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	<i>NOTES</i>	Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	6	191,189	161,315
Costs of sales		(146,160)	(124,640)
Gross profit		45,029	36,675
Other income	7	8,417	13,392
Selling expenses		(4,211)	(2,666)
Share of loss of associates		(46)	(26)
Reversal of impairment loss on investment properties		–	2,740
Expected credit losses (“ ECL ”) allowance for trade receivables		(2,491)	(2,019)
ECL allowance for net investment in leases		(4)	(20)
Fair value loss on financial asset at fair value through profit or loss		(2,038)	–
Fair value loss on contingent consideration		(131)	–
Fair value loss on forward foreign exchange contracts		(6,331)	–
Administrative and other operating expenses		(39,665)	(45,441)
(Loss)/profit from operations		(1,471)	2,635
Finance costs		(1,875)	(2,155)

		Six months ended 30 June	
		2023	2022
	<i>NOTES</i>	RMB'000	RMB'000
		(unaudited)	(unaudited)
(Loss)/profit before income tax	8	(3,346)	480
Income tax credit/(expenses)	9	<u>217</u>	<u>(807)</u>
Loss for the period		<u>(3,129)</u>	<u>(327)</u>
Other comprehensive (expenses)/income:			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operation recognised		<u>(917)</u>	<u>2,697</u>
Other comprehensive (expenses)/income for the period, net of nil tax		<u>(917)</u>	<u>2,697</u>
Total comprehensive (expenses)/income for the period		<u>(4,046)</u>	<u>2,370</u>
(Loss)/profit for the period attributable to:			
Owners of the Company		<u>(3,140)</u>	<u>(521)</u>
Non-controlling interests		<u>11</u>	<u>194</u>
		<u>(3,129)</u>	<u>(327)</u>
Total comprehensive (expenses)/income attributable to:			
Owners of the Company		<u>(4,057)</u>	<u>2,176</u>
Non-controlling interests		<u>11</u>	<u>194</u>
		<u>(4,046)</u>	<u>2,370</u>
		<i>RMB (cents)</i>	<i>RMB (cents)</i>
Loss per share for loss attributable to equity holders of the Company			
Basic and diluted	<i>11</i>	<u>(0.23)</u>	<u>(0.05)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		30 June 2023	31 December 2022
	<i>NOTES</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	200,653	205,930
Right-of-use assets	12	7,296	6,994
Investment properties	13	75,763	83,746
Interests in associates		1,552	1,598
Goodwill		8,369	8,369
Intangible assets	15	5,146	8,431
Financial asset at fair value through profit or loss		3,789	6,000
Deferred tax assets		24,234	24,234
		<u>326,802</u>	<u>345,302</u>
Current assets			
Inventories	16	7,657	26,772
Trade and other receivables	17	95,448	70,080
Net investment in leases		7,482	6,748
Tax recoverable		1,452	1,576
Bank balances and cash		117,643	47,551
		<u>229,682</u>	<u>152,727</u>
Current liabilities			
Trade and other payables	18	35,920	14,400
Contract liabilities		253	301
Bank borrowings		77,130	71,930
Lease liabilities		6,330	6,161
Derivative financial instruments		6,331	–
		<u>125,964</u>	<u>92,792</u>
Net current assets		<u>103,718</u>	<u>59,935</u>
Total assets less current liabilities		<u>430,520</u>	<u>405,237</u>

	30 June 2023	31 December 2022
<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Non-current liabilities		
Other payables	427	600
Contingent consideration	4,889	4,758
Deferred tax liabilities	724	881
	<u>6,040</u>	<u>6,239</u>
Net assets	<u>424,480</u>	<u>398,998</u>
CAPITAL AND RESERVES		
Share capital	12,334	10,448
Reserves	389,514	365,929
Equity attributable to owners of the Company	401,848	376,377
Non-controlling interests	22,632	22,621
Total equity	<u>424,480</u>	<u>398,998</u>

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2023

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 Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of its registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is No. 3 Chunchao Road, Yichun Economic & Technological Development Zone, 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), sexy lingerie and fabric care, personal hygiene and home care products, and leasing of factory premises.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2023 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 condensed consolidated interim financial information does not include all of the information required in annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2022.

The condensed consolidated interim financial information is unaudited.

The condensed consolidated interim financial information is presented in thousands of units of Renminbi ("**RMB'000**"), except when otherwise indicated, which was approved for issue by the Board on 25 August 2023.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared in accordance with the accounting policies adopted in the Group's most recent annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and amended Hong Kong Financial Reporting Standards ("**HKFRSs**") which are effective as of 1 January 2023.

Adoption of new and amended HKFRSs

The Group has adopted the following new and amended HKFRSs that have become effective for accounting period beginning on 1 January 2023 and are relevant to the Group:

HKFRS 17	Insurance Contracts with related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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

The Group has not applied any new standards, interpretations or amendments to standards and interpretations that is not yet effective for the current accounting period.

4. ESTIMATES AND JUDGEMENTS

The preparation of condensed consolidated interim financial information requires management to make accounting judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements of the Group for the year ended 31 December 2022.

5. SEGMENT INFORMATION

The Executive Directors of the Company, being the chief operating decision maker (the "CODM"), have identified the Group's major 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.

Segment results represented operating results of each reportable segment without allocation of finance costs (excluded finance charges on lease liabilities), bank interest income, share of loss of associates, fair value loss on forward foreign exchange contracts, fair value loss on financial asset at fair value through profit or loss ("FVTPL") unallocated other operating income, unallocated corporate expenses, and income tax credit/expenses. All assets are allocated to reportable segments other than bank balances and cash, financial asset at FVTPL, interests in associates and other corporate assets which are not directly attributable to the business activities of any reportable segments. All liabilities are allocated to reportable segments other than corporate liabilities which are not directly attributable to the business activities of any reportable segments.

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

	Six months ended 30 June 2023				
	Wigs	Clothing and	Fabric care,	Leasing	Total
	<i>RMB'000</i>	<i>others</i>	<i>personal</i>	<i>of factory</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	hygiene and	premises	(unaudited)
			home care		(unaudited)
			products		(unaudited)
			<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(unaudited)	(unaudited)	(unaudited)
Revenue from external customers	13,071	155,879	22,239	–	191,189
Segment results	2,271	28,252	6,109	1,687	38,319
Finance costs (excluded finance charges on lease liabilities)					(1,706)
Bank interest income					94
Share of loss of associates					(46)
Fair value loss on foreign currency forward contracts					(6,331)
Fair value loss on financial asset at FVTPL					(2,038)
Unallocated income					12,763
Unallocated expenses					(44,401)
Loss before income tax					(3,346)
Income tax credit					217
Loss for the period					(3,129)
Other segment items					
Depreciation and amortisation	3,039	6,012	1,083	6,624	16,758
Capital expenditure	65	408	42	–	515
ECL allowance for trade receivables	12	2,405	43	31	2,491
ECL allowance for net investment in leases	–	–	–	4	4

6. REVENUE

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

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Wigs	13,071	11,591
Clothing and others	155,879	149,724
Fabric care, personal hygiene and home care products	22,239	–
	191,189	161,315

Disaggregation of revenue from contracts with customers

The Group's revenue from sales of wigs, clothing and others and fabric care, personal hygiene and home care products are recognised at a point in time. The Group's contracts with customers usually have original expected duration of one year or less. Revenue from major product lines are as follow:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Contract Manufacturing Services (“CMS”) business		
Cosplay costumes	101,647	95,084
Cosplay wigs	8,242	4,179
Sexy lingerie	3,797	924
Fabric care, personal hygiene and home care products	1,374	–
Others	4,340	18,581
	119,400	118,768
Original Brand Manufacturing (“OBM”) business		
Cosplay costumes	26,675	22,619
Cosplay wigs	4,829	7,412
Sexy lingerie	17,468	6,604
Fabric care, personal hygiene and home care products	20,865	–
Others	1,952	5,912
	71,789	42,547
	191,189	161,315

7. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Exchange gain	1,400	4,576
Bank interest income	94	155
Government grant (<i>note</i>)	534	928
Rental income from operating leases of plant and machineries		
– Lease payments that are fixed	–	323
Rental income from operating leases of investment properties		
– Lease payments that are fixed	971	1,563
Income relating to net investment in leases – Finance lease income	219	459
Utility income	3,733	4,302
Subcontracting income	717	1,086
Gain on recognition of net investment in leases	743	–
Others	6	–
	<u>8,417</u>	<u>13,392</u>

Note: The Group was entitled to receive (1) a subsidy from the local government authorities for export sales business conducted in the Yichun Development Zone and Yiwu and (2) specific funds in the Yichun Development Zone and Yiwu Development Zone.

8. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Cost of inventories recognised as an expense	96,386	75,896
Depreciation		
– Property, plant and equipment	11,606	16,062
– Investment properties	1,770	1,720
– Right-of-use assets	97	100
Amortisation of intangible assets	3,285	3,187
Reversal of impairment loss on investment properties	–	(2,740)
Short term lease charges	37	28
Income relating to net investment in leases	(219)	(459)
Exchange gain, net	(1,400)	(4,576)
Fair value loss on financial asset at FVTPL	2,038	–
Fair value loss on forward foreign exchange contracts	6,331	–
Fair value loss on contingent consideration payable	131	–
ECL allowance for trade receivables	2,491	2,019
ECL allowance for net investment in leases	4	20
Research and development cost	11,102	8,494
Government grant	(534)	(928)
Loss on disposal of property, plant and equipment	–	2,672
Equity-settled share-based payment expenses in respect of consultants	–	644
Staff costs		
– Salaries, allowances and other benefits	36,672	34,083
– Contributions to defined contribution retirement plans	2,010	3,332
– Equity-settled share-based payment expense	729	4,761
	<u>39,411</u>	<u>42,176</u>

9. INCOME TAX (CREDIT)/EXPENSES

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 2023 (2022: nil).

The provision for PRC enterprise income tax has been provided at the applicable tax rate of 25% (2022: 25%) on the assessable profits of the PRC subsidiaries.

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Current tax		
Current period – PRC enterprise income tax	(60)	906
Deferred tax	(157)	(99)
	<hr/>	<hr/>
Income tax (credit)/expenses	(217)	807

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. From December 2020 onwards, certain subsidiaries of the Group were accredited as “High and New Technology Enterprise” in the PRC, and subject to a concessionary tax rate of 15% for three years in accordance with the EIT Law.

10. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: nil).

11. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period attributable to equity holders of the Company of RMB3,140,000 (2022: RMB521,000) and the weighted average number of ordinary shares of 1,392,857,000 in issue during the period (2022: 1,077,267,600).

The diluted loss per share for the six months ended 30 June 2023 and 2022 does not assume the exercise of the Company’s share options because the exercise price of those share options was higher than the average market price for shares.

The diluted loss per share is the same as basic loss per share for the six months ended 30 June 2023 and 2022.

12. RIGHT-OF-USE ASSETS

	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Prepaid land lease payments	<u>7,296</u>	<u>6,994</u>

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

	Six months ended 30 June 2023 RMB'000 (unaudited)	Year ended 31 December 2022 RMB'000 (audited)
At beginning of the period/year	6,994	7,934
Depreciation	(97)	(184)
Transfer from/to investment properties	<u>399</u>	<u>(756)</u>
At end of the period/year	<u>7,296</u>	<u>6,994</u>

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

As at 30 June 2023, the Group's right-of-use assets amounting to RMB4,974,000 (31 December 2022: RMB4,676,000) were pledged to secure bank loans.

13. INVESTMENT PROPERTIES

	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Investment properties	<u>75,763</u>	<u>83,746</u>

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

	Six months ended 30 June 2023 RMB'000 (unaudited)	Year ended 31 December 2022 RMB'000 (audited)
At beginning of the period/year	83,746	78,131
Transferred to/from right-of-use assets	(399)	756
Transferred to/from property, plant and equipment	(5,814)	8,607
Depreciation	(1,770)	(3,748)
	<hr/>	<hr/>
At end of the period/year	75,763	83,746
	<hr/> <hr/>	<hr/> <hr/>
	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Cost	118,842	125,055
Accumulated depreciation and impairment	(43,079)	(41,309)
	<hr/>	<hr/>
Carrying amount	75,763	83,746
	<hr/> <hr/>	<hr/> <hr/>

At 30 June 2023, the fair value of the Group's investment properties, determined using income approach, which also representing the recoverable amounts of the leasing of factory premise CGU was RMB95,837,000 (31 December 2022: RMB108,875,000). The fair value as at 30 June 2023 has been arrived based on a valuation carried by an independent, professionally qualified valuer Graval Consulting Limited. No impairment loss was determined by comparing carrying amounts of the investment properties, together with the relevant leasehold improvement, to the above fair value as at 30 June 2023 and 31 December 2022.

The fair values of the Group's investment properties are categorised under Level 3 fair value hierarchy and determined using income approach which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties. When actual rent differs materially from the estimated rents, adjustments have been made to the estimated rental value.

The most significant inputs, all of which are unobservable, are the estimated rental value and the discount rate. The estimated rental value and discount rate is RMB13–RMB15 per square meter and 6%–6.5% as at six months ended 30 June 2023 (31 December 2022: RMB13–RMB15 per square meter and 6%–6.5%). The estimated fair value increases if the estimated rental value increases or if discount rate (market yields) decline. The overall valuations are sensitive to all assumptions. Management considers the range of reasonably possible alternative assumptions is greatest for rental values and that there is also an interrelationship between these inputs.

As at 30 June 2023, bank loans are secured by investment properties with a carrying value of RMB35,355,000 (31 December 2022: RMB36,242,000).

As at 30 June 2023, right-of-use assets that presented within investment properties with a carrying amount value of RMB2,947,000 (31 December 2022: RMB3,395,000).

14. 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>	Total <i>RMB'000</i>
Cost						
As at 1 January 2023	202,049	34,902	5,063	5,076	194,971	442,061
Additions	-	157	-	78	280	515
Transfer from investment properties	7,657	-	-	-	-	7,657
As at 30 June 2023 (unaudited)	209,706	35,059	5,063	5,154	195,251	450,233
Accumulated depreciation						
As at 1 January 2023	82,972	15,757	2,283	4,560	130,559	236,131
Charge for the period	4,935	1,303	125	91	5,152	11,606
Transfer from investment properties	1,843	-	-	-	-	1,843
As at 30 June 2023 (unaudited)	89,750	17,060	2,408	4,651	135,711	249,580
Net book amount						
As at 30 June 2023 (unaudited)	119,956	17,999	2,655	503	59,540	200,653
As at 31 December 2022 (audited)	119,077	19,145	2,780	516	64,412	205,930

As at 30 June 2023, the Group's buildings with a total value amounting to RMB64,155,000 (31 December 2022: RMB72,231,000) were pledged to banks to secure bank loans granted to the Group.

The Group has determined the amount of the impairment loss of property, plant and equipment based on the recoverable amount of each cash-generating units ("CGUs") with property, plant and equipment allocated. The recoverable amounts of the CGUs have been determined based on value in use calculations, which use cashflow forecast available as at 30 June 2023. Fair value less costs of disposal is not used as the management considered that it will not be possible to measure fair value less costs of disposal of each CGUs because there is no basis for making a reliable estimate of the price. These cashflow forecasts are derived from the approved business plan which has a forecast covering a period of five years.

During the six months ended 30 June 2023 and 30 June 2022, no impairment loss was recognised on property, plant and equipment.

15. INTANGIBLE ASSETS

	Trademark <i>RMB'000</i>	Patent <i>RMB'000</i>	Total <i>RMB'000</i>
Cost			
As at 1 January 2023 and 30 June 2023 (unaudited)	<u>12,713</u>	<u>6,301</u>	<u>19,014</u>
Accumulated amortisation			
As at 1 January 2023	10,058	525	10,583
Charge for the period	<u>2,655</u>	<u>630</u>	<u>3,285</u>
As at 30 June 2023 (unaudited)	<u>12,713</u>	<u>1,155</u>	<u>13,868</u>
Net book amount			
As at 30 June 2023 (unaudited)	<u>–</u>	<u>5,146</u>	<u>5,146</u>
As at 31 December 2022 (audited)	<u>2,655</u>	<u>5,776</u>	<u>8,431</u>

16. INVENTORIES

	As at 30 June 2023 <i>RMB'000</i> (unaudited)	As at 31 December 2022 <i>RMB'000</i> (audited)
Raw materials	5,827	14,470
Work in progress	408	3,069
Finished goods	<u>1,422</u>	<u>9,233</u>
	<u>7,657</u>	<u>26,772</u>

17. TRADE AND OTHER RECEIVABLES

	As at 30 June 2023 <i>RMB'000</i> (unaudited)	As at 31 December 2022 <i>RMB'000</i> (audited)
Trade receivables		
– From third parties	72,437	53,246
Less: ECL allowance	<u>(4,085)</u>	<u>(1,594)</u>
	<u>68,352</u>	<u>51,652</u>
Deposits, prepayments and other receivables		
Prepayments	11,010	6,719
Other tax receivables	5,243	1,442
Deposits	1,963	3,197
Other receivables	<u>8,880</u>	<u>7,070</u>
	<u>27,096</u>	<u>18,428</u>
	<u>95,448</u>	<u>70,080</u>

The Group usually requires advance deposits from its customers. Before accepting any new customer, the Group applied an internal credit assessment policy to assess the potential customer's credit quality. The credit period is generally for a period of 45 to 60 days. Overdue balances are reviewed regularly by senior management. Trade receivables are non interest-bearing.

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

	As at 30 June 2023 <i>RMB'000</i> (unaudited)	As at 31 December 2022 <i>RMB'000</i> (audited)
0–30 days	53,784	31,352
31–60 days	7,521	6,002
61–90 days	1,827	9,055
91–365 days	<u>5,220</u>	<u>5,243</u>
	<u>68,352</u>	<u>51,652</u>

As at 30 June 2023, ECL allowance of approximately RMB4,085,000 (31 December 2022: RMB1,594,000) was recognised.

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

	Six months ended 30 June 2023 RMB'000 (unaudited)	Year ended 31 December 2022 RMB'000 (audited)
At 1 January	1,594	19,355
Amount written off during the period/year	–	(19,187)
ECL allowance recognised during the period/year	<u>2,491</u>	<u>1,426</u>
At 30 June/31 December	<u>4,085</u>	<u>1,594</u>

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities. The Group does not hold any collateral or other credit enhancements over these balances.

18. TRADE AND OTHER PAYABLES

	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Current:		
Trade payables		
– To third parties	<u>22,417</u>	<u>4,755</u>
Accrued charges and other payables		
– Salaries payables	9,451	6,423
– Other tax payables	840	1,054
– Other payables	<u>3,212</u>	<u>2,168</u>
	<u>13,503</u>	<u>9,645</u>
	35,920	14,400
Non-current:		
– Other payables	<u>427</u>	<u>600</u>
	<u>36,347</u>	<u>15,000</u>

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

	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
0–30 days	<u>22,417</u>	<u>4,755</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross profit margin

	Six months ended 30 June				Revenue % change
	2023		2022		
	Revenue <i>RMB'000</i>	Gross Profit margin %	Revenue <i>RMB'000</i>	Gross Profit margin %	
CMS business					
Cosplay costumes	101,647	23.4%	95,084	22.0%	(6.9%)
Cosplay wigs	8,242	30.9%	4,179	21.1%	97.2%
Sexy lingerie	3,797	23.9%	924	23.7%	310.9%
Fabric care, personal hygiene and home care products	1,374	24.8%	–	–	N/A
Others	4,340	32.9%	18,581	30.0%	(76.6%)
	<u>119,400</u>	<u>24.3%</u>	<u>118,768</u>	<u>23.3%</u>	
OBM business					
Cosplay costumes	26,675	17.6%	22,619	18.8%	17.9%
Cosplay wigs	4,829	16.6%	7,412	21.6%	(34.8%)
Sexy lingerie	17,468	24.7%	6,604	25.6%	164.5%
Fabric care, personal hygiene and home care products	20,865	28.3%	–	–	N/A
Others	1,952	24.3%	5,912	25.3%	(67.0%)
	<u>71,789</u>	<u>22.6%</u>	<u>42,547</u>	<u>21.3%</u>	
Total	<u><u>191,189</u></u>	<u><u>23.7%</u></u>	<u><u>161,315</u></u>	<u><u>22.7%</u></u>	

Revenue

During the six months ended 30 June 2023, 62.5% (2022: 73.6%) of our total revenue was mainly derived from our CMS business. The revenue derived from the CMS business increased from approximately RMB118.8 million to approximately RMB119.4 million, representing an increase of approximately 0.5%.

The revenue derived from our OBM business increased from approximately RMB42.5 million to approximately RMB71.8 million, representing an increase of approximately 68.7%.

During the period under review, the sales to our major market, the U.S., showed an upsurge of approximately 15%, which was driven by domestic consumption and the recovery of tourism in the period. The U.S. market continued to be our biggest market in 2022, contributing approximately 82.6% of the revenue for the six months ended 30 June 2023 (30 June 2022: approximately of 88%).

The acquisition of High Kelee Investment Holdings Limited (“**High Kelee**”) was completed on 15 July 2022. The Group had then diversified its business to the research and development, manufacturing and sale of fabric care, personal hygiene and home care products. High Kelee had contributed a revenue of approximately RMB22.2 million to the Group for the six months ended 30 June 2023, and the average gross profit margin was around approximately 28.0%.

Leasing Business

Our Party Culture Industrial Park, E-commerce Operation Centre and Service and Experience Centre, together with our Feifeng Road Premises in Yiwu, PRC have been sub-leased to companies in the relevant industries with the aim to integrate the design and development of cultural products, internet celebrity, creative design, research and development and supply chain of the whole industrial chain. The Group has sub-leased part of the Yiwu Production Plant and the Yichun Production Plant to local enterprises with the view to better utilize the assets of the Group.

Rental income from leasing of these premises (including the rental income from leasing of plant and machineries) of approximately RMB971,000 (30 June 2022: RMB1,886,000) have been recognized during the year and included in “other income” in the consolidated statement of profit or loss and other comprehensive income.

Gross profit margin

Our gross profit margin increased from approximately 22.7% to approximately 23.7%. The increase in gross profit margin was mainly due to the control of manufacturing costs and upgrade of product mix with higher profit margin.

Cost of sales

Our cost of sales mainly comprises 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 RMB5.0 million, from approximately RMB13.4 million to approximately RMB8.4 million. The decrease was primarily due to the decrease in recognition of exchange gain of approximately RMB3.2 million.

Selling expenses

Our selling expenses primarily consist of delivery expenses, staff costs and advertising and marketing expenses. Selling expenses represent approximately 2.20% and 1.65% of the revenue for the six months ended 30 June 2023 and 2022, respectively. The increase was primarily due to the increase in advertisement expense for the promotion of the fabric care, personal hygiene and home care products business.

Administrative and other operating expenses

Our administrative and other operating expenses decreased by approximately RMB5.8 million, from approximately RMB45.4 million to approximately RMB39.7 million. The decrease was primarily due to the decrease in depreciation on property, plant and equipment of approximately RMB4.0 million.

Reversal of impairment loss on investment properties

We have leased/sub-leased to third parties some factory premises, thus these factory premises were being reclassified as investment properties at cost model. Reversal of impairment loss of approximately RMB2.7 million was recognized during the six months ended 30 June 2022 (30 June 2023: Nil) by comparing the fair value of the investment properties to its carrying amounts. There is no significant changes in the assumptions adopted in the valuations.

ECL allowance of trade receivables

As a result of the COVID-19 pandemic, our customers have generally experienced a deterioration in their financial position. With the increase in potential default risk by our customers, we recognized an impairment loss on trade receivables of approximately RMB2.5 million during the period.

Finance costs

Our finance costs decreased by approximately RMB0.3 million, from approximately RMB2.2 million to approximately RMB1.9 million. The decrease in finance costs was primarily due to the decrease in payment of interests on short term borrowings.

Income tax

Income tax credit for the six months ended 30 June 2023 was approximately RM217,000 (six months ended 30 June 2022: income tax expense of approximately RMB807,000). The change was mainly due to the decrease in the deferred tax liabilities recognised during the six months ended 30 June 2023.

Share of loss of associates

Share of loss of associates relates to the Group's associates which are engaged in developing the cultural tourism business. The Group's share of loss of associates for the period was approximately RMB46,000.

Financial resources and liquidity

As at 30 June 2023, the total amount of cash and cash equivalent of the Group was approximately RMB117.6 million, an increase of approximately RMB70.1 million when compared with that as at 31 December 2022. The Group's operations are financed primarily by revenue generated from its business operation, and borrowings obtained from banks. In addition, the Group had total bank borrowings of approximately RMB77.1 million as of 30 June 2023 as compared to total bank borrowings of approximately RMB71.9 million as of 31 December 2022.

As at 30 June 2023, the current ratio and the gearing ratio were 1.82% and 19.7% respectively. Current ratio is calculated based on total current assets divided by total current liabilities at the end of the financial year and gearing ratio is calculated based on total borrowings and lease liabilities divided by total equity at the end of the financial year.

The Group's operations are financed principally by revenue generated from its business operation, available bank balances and cash as well as interest-bearing borrowings. The Board will continue to follow a prudent treasury policy in managing its bank balances and cash and maintain a strong and healthy liquidity position to ensure that the Group is well positioned to achieve its business objectives and strategies.

The share capital of the Company only comprises of ordinary shares. As at 30 June 2023, the Company's number of issued ordinary shares was 1,477,721,120 ("**Share(s)**") (as at 31 December 2022: 1,262,267,600 Shares).

Capital expenditure

During the six months ended 30 June 2023, the Group invested approximately RMB0.5 million in property, plant and equipment.

Pledged of assets

As at 30 June 2023, our bank loans were secured by the Group's right-of-use assets with carrying value of approximately RMB4.9 million (31 December 2022: RMB4.7 million); buildings with carrying value of approximately RMB64.2 million (31 December 2022: RMB72.2 million) and investment properties with carrying value of approximately RMB35.4 million (31 December 2022: RMB36.2 million).

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2023 and 31 December 2022.

Foreign currency exposure

Our exposures to currency risk arise from our sales to overseas customers, which are primarily denominated in USD and JPY. These are not the functional currencies of the entities to which the transactions relate. In order to minimise risk, the Group continues to adopt a prudent approach regarding foreign exchange exposure. Forward foreign exchange contracts are utilised when considered appropriate and when attractive pricing opportunities arise to mitigate foreign exchange exposures. Fair value loss on forward foreign exchange contracts of approximately RMB6.3 million was recognised during the six months ended 30 June 2023.

Employees and remuneration policy

As of 30 June 2023, we had approximately 1,167 employees. Total staff costs for the period amounted to approximately RMB39.4 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.

EVENTS AFTER THE PERIOD UNDER REVIEW

There were no material subsequent events since 30 June 2023, being the end of the period under review.

SHARE OPTION SCHEME

Pursuant to the share option scheme adopted by the Company on 7 August 2015, an aggregate of 35,200,000 share options have been granted to certain eligible participants on 14 April 2023. The share options are valid for three years from the date of grant. The options shall be exercisable subject to the conditions that (i) the grantees remain a Director or an employee of the Group (where applicable) on the vesting date; (ii) the public float requirements under the Listing Rules will not be violated as a result of the exercise of the options; and (iii) the grantees have fulfilled the relevant performance target relating to the Group (where applicable).

BUSINESS REVIEW

The Group is principally engaged in the design, development, production, selling and marketing of cosplay products (including cosplay costumes and cosplay wigs) and non-cosplay apparels (including mainly sexy lingerie), and fabric care, personal hygiene and home care products, and leasing factory premises in the PRC.

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

	Six months ended 30 June				Increase (decrease) of revenue (approximate %)
	2023		2022		
	<i>Revenue RMB'000</i>	<i>% of total</i>	<i>Revenue RMB'000</i>	<i>% of total</i>	
CMS business	119,400	62.5%	118,768	73.6%	0.5%
OBM business	71,789	37.5%	42,547	26.4%	68.7%
Total	191,189	100.0%	161,315	100.0%	18.5%

Revenue by operating and reportable segments

	Six months ended 30 June				Increase (decrease) of revenue (approximate %)
	2023		2022		
	<i>Revenue RMB'000</i>	<i>% of total</i>	<i>Revenue RMB'000</i>	<i>% of total</i>	
Wigs	13,071	6.8%	11,591	7.2%	12.8%
Clothing and others	155,879	81.6%	149,724	92.8%	4.1%
Fabric care, personal hygiene and home care products	22,239	11.6%	–	–	N/A
Total	191,189	100.0%	161,315	100.0%	18.5%

Loss attributable to the equity holders of the Company for the six months ended 30 June 2023 amounted to approximately RMB3.1 million as compared with a loss attributable to equity holders of the Company of approximately RMB0.5 million for the six months ended 30 June 2022. The Board considers that the aforesaid increase in loss was primarily attributable to the fair value loss on foreign currency forward contracts during the period.

BUSINESS PROSPECTS

Looking ahead, despite of the lifting of zero-COVID policies in Mainland China and the relaxation of social distancing measure earlier this year, the operating environment remains uncertain. The recovery of the global economy is still halted by various factors such as the hiking of inflation rate, the rising of interest rates and the development of geopolitical factors.

The Group will continue to use its best endeavor to improve the efficiency and effectiveness of its operation. Moreover, the Board will seek opportunities to diversify our business and broaden our revenue stream by acquisition of intellectual property right with potential growth and the collaboration of companies our upstream and downstream industries. The Group will continue to evaluate and identify target companies which have investment value and which can generate synergies with our businesses within the industry and along the industry chain, with the aim of bringing greater return to shareholders while expanding our business and revenue streams.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023 (30 June 2022: Nil).

USE OF PROCEEDS

On 17 March 2023, the Company issued 215,453,520 ordinary shares by way of placing at a price of HK\$0.155 per share, and the net proceeds from the placing is approximately HK\$32.8 million. The Company intends to apply the net proceeds from the placing to satisfy the cash flow needs of the Group which include (i) settle the Group's indebtedness falling due within 12 months; and (ii) provide general working capital so as to accommodate the operating cash flow needs to support its business operations.

As at 30 June 2023, the net proceeds of approximately HK\$10 million have been used for general working capital of the Group.

Subsequently, as at date of this announcement, the remaining net proceeds of approximately HK\$22.8 million have been utilised to settle the Group's bank borrowings.

For details of the above transactions, please refer to the announcements dated 17 March 2023 and 29 March 2023.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiary has purchased, redeemed or sold any of the Company's listed securities for the six months ended 30 June 2023.

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 2023.

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.

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) and the Company (www.partytime.com.cn), and the interim report of the Company for the six months ended 30 June 2023 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
Teng Hao
Chairman

Hong Kong, 25 August 2023

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