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China Partytime Culture Holdings Limited

中國派對文化控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1532)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board of directors (the “**Board**”) of China Partytime Culture Holdings Limited 中國派對文化控股有限公司 (the “**Company**”) is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue	5	355,675	301,113
Costs of sales		<u>(268,637)</u>	<u>(226,055)</u>
Gross profit		87,038	75,058
Other income	6	17,140	21,634
Share of loss of associates		(46)	(212)
Selling expenses		(7,689)	(5,542)
Expected credit loss (“ ECL ”) allowance on trade receivables, net		(3,273)	(1,426)
Reversal of ECL allowance on net investment in leases		137	299
Impairment loss on property, plant and equipment		(3,772)	–
Fair value loss on derivative financial instruments		(404)	–
Fair value loss on contingent consideration		(2,560)	(454)
Fair value loss on financial asset at fair value through profit or loss (“ FVTPL ”) administrative and other operating expenses		(5,092)	–
		<u>(93,767)</u>	<u>(95,665)</u>
Loss from operations		(12,288)	(6,308)
Finance costs	7	<u>(2,566)</u>	<u>(4,618)</u>

		2023	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss before income tax	8	(14,854)	(10,926)
Income tax expense	9	<u>(3,758)</u>	<u>(3,685)</u>
Loss for the year		<u>(18,612)</u>	<u>(14,611)</u>
Other comprehensive income/(expense):			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operation recognised		<u>1,131</u>	<u>(1,393)</u>
Other comprehensive income/(expense) for the year, net of nil tax		<u>1,131</u>	<u>(1,393)</u>
Total comprehensive expenses for the year		<u>(17,481)</u>	<u>(16,004)</u>
(Loss)/profit for the year attributable to:			
– Owners of the Company		(23,932)	(15,140)
– Non-controlling interests		<u>5,320</u>	<u>529</u>
		<u>(18,612)</u>	<u>(14,611)</u>
Total comprehensive income/(expenses) for the year attributable to:			
– Owners of the Company		(22,801)	(16,533)
– Non-controlling interests		<u>5,320</u>	<u>529</u>
		<u>(17,481)</u>	<u>(16,004)</u>
Loss per share for loss attributable to equity holders of the Company		<i>RMB (cents)</i>	<i>RMB (cents)</i>
Basic and diluted	10	<u>(1.68)</u>	<u>(1.31)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	205,423	205,930
Right-of-use assets	12	7,016	6,994
Investment properties	13	69,608	83,746
Interests in associates		1,552	1,598
Goodwill		8,369	8,369
Intangible assets	15	4,516	8,431
Financial asset at fair value through profit or loss (“FVTPL”)		908	6,000
Deferred tax assets		21,783	24,234
		<hr/> 319,175 <hr/>	<hr/> 345,302 <hr/>
Current assets			
Inventories	16	23,338	26,772
Trade and other receivables	17	60,514	70,080
Net investment in leases		–	6,748
Tax recoverable		–	1,576
Bank balances and cash		49,456	47,551
		<hr/> 133,308 <hr/>	<hr/> 152,727 <hr/>
Current liabilities			
Trade and other payables	18	29,660	14,400
Contract liabilities	19	45	301
Bank borrowings		8,180	71,930
Tax payable		2,548	–
Derivative financial instruments		404	–
Lease liabilities		–	6,161
		<hr/> 40,837 <hr/>	<hr/> 92,792 <hr/>
Net current assets		<hr/> 92,471 <hr/>	<hr/> 59,935 <hr/>
Total assets less current liabilities		<hr/> 411,646 <hr/>	<hr/> 405,237 <hr/>

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
Non-current liabilities			
Other payable	18	–	600
Contingent consideration		–	4,758
Deferred tax liabilities		566	881
		566	6,239
Net assets		411,080	398,998
CAPITAL AND RESERVES			
Share capital		12,334	10,448
Reserves		370,770	365,929
Equity attributable to owners of the Company		383,104	376,377
Non-controlling interests		27,976	22,621
Total equity		411,080	398,998

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 Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is No. 3 Chunchao Road, Yichun Economic & Technological Development Zone ("Yichun Development Zone"), Jiangxi Province, the People's Republic of China ("PRC").

The Company is an investment holding company and its subsidiaries are principally engaged in the design, research and development, production, sales and marketing of cosplay products (including cosplay costumes and cosplay wigs), sexy lingerie and fabric care, personal hygiene and home care products, and leasing of factory premises.

2. BASIS OF PREPARATION

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The consolidated financial statements have been prepared on the historical cost except for financial assets at FVTPL and derivative financial instruments which are stated at fair values. The consolidated financial statements is presented in Renminbi ("RMB") and all values are rounded to the nearest thousands ("RMB'000"), except when otherwise indicated.

3. ADOPTION OF NEW AND AMENDED HKFRSs

New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2023

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2023:

HKFRS 17	Insurance Contracts and 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 the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Issued but not yet effective HKFRSs

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of exchangeability ²

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

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective date to be determined.

The directors anticipate that all of the new and amended HKFRSs will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the new and amended HKFRSs. These new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

4. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the most senior executive management for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the most senior executive management are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

- (a) Wigs;
- (b) Clothing and others (including cosplay costumes, sexy lingerie and others);
- (c) Fabric care, personal hygiene and home care products; and
- (d) Leasing of factory premises (self-owned or held under leasehold interest).

Each of these reportable segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

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

Segment results represented operating results of each reportable segment without allocation of finance costs (excluded finance charges on lease liabilities), bank interest income, loss on disposal of property, plant and equipment, share of loss of associates, fair value loss on financial assets at FVTPL, fair value loss on contingent consideration, fair value loss on derivative financial instruments, unallocated other operating income, unallocated corporate expenses, and income tax expense. All assets are allocated to reportable segments other than bank balances and cash, financial asset at FVTPL, interests in associates and other corporate assets which are not directly attributable to the business activities of any reportable segments. All liabilities are allocated to reportable segments other than corporate liabilities which are not directly attributable to the business activities of any reportable segments.

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

	Year ended 31 December 2023				
	Wigs RMB'000	Clothing and others RMB'000	Fabric care, personal hygiene and home care products RMB'000	Leasing of factory premises RMB'000	Total RMB'000
Revenue from external customers	<u>42,096</u>	<u>229,555</u>	<u>84,024</u>	<u>–</u>	<u>355,675</u>
Segment results	1,795	33,127	8,992	(2,148)	41,766
Finance costs (excluded finance charges on lease liabilities)					(2,311)
Bank interest income					346
Loss on disposal of property, plant and equipment					(10,083)
Share of loss of associates					(46)
Fair value loss on financial assets at FVTPL					(5,092)
Fair value loss on contingent consideration					(2,560)
Fair value loss on derivative financial instruments					(404)
Unallocated income					7,825
Unallocated expenses					<u>(44,295)</u>
Loss before income tax					(14,854)
Income tax expense					<u>(3,758)</u>
Loss for the year					<u>(18,612)</u>
Other segment items					
Depreciation and amortisation	2,763	9,193	3,819	7,837	23,612
Impairment loss on property, plant and equipment	3,772	–	–	–	3,772
Capital expenditure	91	18,456	439	133	19,119
ECL allowance on trade receivables	(58)	2,930	401	–	3,273
Reversal of ECL allowance on net investment in leases	<u>–</u>	<u>–</u>	<u>–</u>	<u>(137)</u>	<u>(137)</u>

	Year ended 31 December 2022				
	Wigs	Clothing	Fabric care, personal hygiene and home care products	Leasing of factory premises	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from external customers	33,205	249,353	18,555	–	301,113
Segment results	3,826	34,583	861	(905)	38,365
Finance costs (excluded finance charges on lease liabilities)					(4,043)
Bank interest income					231
Loss on disposal of property, plant and equipment					(2,840)
Share of loss of associates					(212)
Unallocated income					17,140
Unallocated expenses					(59,567)
Loss before income tax					(10,926)
Income tax expense					(3,685)
Loss for the year					(14,611)
Other segment items					
Depreciation and amortisation	3,700	15,247	1,587	10,317	30,851
Capital expenditure	13,357	15,917	26,988	87	56,349
ECL allowance on trade receivables	81	1,294	46	5	1,426
Reversal of ECL allowance on net investment in leases	–	–	–	(299)	(299)

	As at 31 December 2023					
	Wigs <i>RMB'000</i>	Clothing and others <i>RMB'000</i>	Fabric care, personal hygiene and home care products <i>RMB'000</i>	Leasing of factory premises <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment assets	<u>38,141</u>	<u>161,609</u>	<u>64,967</u>	<u>94,868</u>	<u>92,898</u>	<u>452,483</u>
Reportable segment liabilities	<u>1,415</u>	<u>12,141</u>	<u>14,916</u>	<u>778</u>	<u>12,153</u>	<u>41,403</u>
	As at 31 December 2022					
	Wigs <i>RMB'000</i>	Clothing and others <i>RMB'000</i>	Fabric care, personal hygiene and home care products <i>RMB'000</i>	Leasing of factory premises <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment assets	<u>40,896</u>	<u>187,065</u>	<u>44,358</u>	<u>112,593</u>	<u>113,117</u>	<u>498,029</u>
Reportable segment liabilities	<u>1,466</u>	<u>5,893</u>	<u>6,002</u>	<u>6,702</u>	<u>78,968</u>	<u>99,031</u>

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.

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
PRC (place of domicile)	<u>86,001</u>	<u>36,855</u>
United States ("US")	237,453	231,308
Germany	886	1,142
United Kingdom ("UK")	694	2,783
Australia	–	238
Holland	564	93
Japan	21,727	12,489
Israel	–	144
Greece	3,586	2,924
Others	<u>4,764</u>	<u>13,137</u>
	<u>269,674</u>	<u>264,258</u>
	<u>355,675</u>	<u>301,113</u>

The Group's non-current assets, other than net investment in leases, financial asset at fair value through profit or loss and deferred tax assets, are substantially located in the PRC.

Information about major customers

During the year ended 31 December 2023, RMB227,260,000 or 64% (2022: RMB199,501,000 or 66%) of the Group's revenue was derived from a single customer of the Group. It is related to wigs and clothing and other segment.

As at 31 December 2023, 26% (2022: 47%) of the Group's trade receivables was due from this customer.

5. REVENUE

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

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Wigs	42,096	33,205
Clothing and others	229,555	249,353
Fabric care, personal hygiene and home care products	84,024	18,555
	<u>355,675</u>	<u>301,113</u>

Disaggregation of revenue from contracts with customers

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Contract Manufacturing Services ("CMS") business		
Cosplay costumes	163,923	147,052
Cosplay wigs	29,628	15,478
Sexy lingerie	4,104	1,847
Fabric care, personal hygiene and home care products	2,771	1,391
Others	8,220	29,277
	<u>208,646</u>	<u>195,045</u>
Original Brand Manufacturing ("OBM") business		
Cosplay costumes	33,846	51,704
Cosplay wigs	12,468	17,727
Sexy lingerie	17,468	7,643
Fabric care, personal hygiene and home care products	81,253	17,164
Others	1,994	11,830
	<u>147,029</u>	<u>106,068</u>
	<u>355,675</u>	<u>301,113</u>

6. OTHER INCOME

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Bank interest income	346	231
Government grant (<i>note</i>)	1,016	1,900
Rental income from operating leases of plant and machineries		
– Lease payments that are fixed	–	179
Rental income from operating leases of investment properties		
– Lease payments that are fixed	5,315	3,543
Income relating to net investment in leases		
– Finance lease income	637	753
Subcontracting income	3,017	6,076
Utility income	6,710	8,909
Others	99	43
	<u>17,140</u>	<u>21,634</u>

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

7. FINANCE COSTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest on bank and other short term borrowings	2,311	4,043
Finance charges on lease liabilities	255	575
	<u>2,566</u>	<u>4,618</u>

8. LOSS BEFORE INCOME TAX

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Auditors' remuneration	1,793	1,514
Cost of inventories recognised as an expense	193,416	164,135
Depreciation		
– Property, plant and equipment	16,113	20,020
– Investment properties	3,398	3,748
– Right-of-use assets	186	184
Amortisation of intangible assets	3,915	6,899
Loss on disposal of property, plant and equipment	10,083	2,840
Lease payments not included in the measurement of lease liabilities	76	72
Income relating to net investment in leases	(637)	(753)
Exchange loss, net	6,127	842
Research and development costs	26,481	19,568
Government grant	(1,016)	(1,900)
Equity-settled share-based payment expenses in respect of consultants	–	644
Staff costs		
– Salaries, allowances and other benefits	76,697	68,020
– Contributions to defined contribution retirement plans (<i>note</i>)	9,169	4,697
– Equity-settled share-based payment expenses	729	4,761
	<u>86,595</u>	<u>77,478</u>

Note: During the year ended 31 December 2023, no forfeited contribution under the Plans is available to offset the future contributions or reduce the existing and future levels of contributions (2022: Nil).

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 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.

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax		
Current year – PRC enterprise income tax	1,622	1,157
Deferred tax	<u>2,136</u>	<u>2,528</u>
Income tax expense	<u><u>3,758</u></u>	<u><u>3,685</u></u>

Under the Law of the People's Republic of China on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. From December 2023 onwards, Partytime Group Co., Ltd, Partytime Costume & Lingerie (Yiwu) Factory and Zhejiang Kelee Technology Co., Limited (“**Zhejiang Kelee**”) were accredited as “High and New Technology Enterprise” in the PRC, and subject to a concessionary tax rate of 15% for three years in accordance with the EIT Law.

10. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to equity holders of the Company of RMB23,932,000 (2022: RMB15,140,000) and the weighted average 1,426,366,000 (2022: 1,159,158,000) ordinary shares in issue during the year ended 31 December 2023.

The diluted loss per share for the year ended 31 December 2023 and 31 December 2022 does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares.

The diluted loss per share is the same as basic loss per share for the years ended 31 December 2023 and 2022.

11. DIVIDENDS

No dividend was paid or proposed during 2023 nor has any dividend been proposed since the end of the reporting period (2022: nil).

12. RIGHT-OF-USE-ASSETS

	Prepaid land lease payments RMB'000
Carrying amount as at 1 January 2022	7,934
Depreciation	(184)
Transfer to investment properties	<u>(756)</u>
Carrying amount as at 31 December 2022	<u><u>6,994</u></u>
Carrying amount as at 1 January 2023	6,994
Depreciation	(186)
Transfer from investment properties	<u>208</u>
Carrying amount as at 31 December 2023	<u><u>7,016</u></u>

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

As at 31 December 2023, the Group's right-of-use assets amounting to RMB4,680,000 (2022: RMB4,676,000) were pledged to secure bank loans.

13. INVESTMENT PROPERTIES

	2023 RMB'000	2022 RMB'000
Investment properties	<u><u>69,608</u></u>	<u><u>83,746</u></u>

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

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	83,746	78,131
Transferred (to)/from right-of-use assets	(208)	756
Transferred (to)/from property, plant and equipment	(10,532)	8,607
Depreciation	<u>(3,398)</u>	<u>(3,748)</u>
Carrying amount at 31 December	<u><u>69,608</u></u>	<u><u>83,746</u></u>
	2023 RMB'000	2022 RMB'000
Cost	114,315	125,055
Accumulated depreciation and impairment	<u>(44,707)</u>	<u>(41,309)</u>
Carrying amount	<u><u>69,608</u></u>	<u><u>83,746</u></u>

At 31 December 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 premises CGU was RMB86,105,000 (2022: RMB108,875,000). The fair value as at 31 December 2023 has been arrived based on a valuation carried out by an independent professional 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 31 December 2023 and 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 are ranging from RMB13 to RMB15 (2022: RMB13 to RMB15) per square meter and from 6.0% to 6.5% (2022: 6.0% to 6.5%) as at year ended 31 December 2023 respectively. The estimated fair value increases if the estimated rental value increases or if discount rate (market yields) decline. The overall valuations are sensitive to all assumptions. Management considers the range of reasonably possible alternative assumptions is the greatest for rental values and that there is an interrelationship between these inputs.

The investment properties represent self-owned factory premises held under medium term leasehold land located in the PRC and are depreciated on a straight-line basis over the term of the lease.

As at 31 December 2023, bank loans are secured by investment properties with a carrying value of RMB32,482,000 (2022: RMB36,242,000).

As at 31 December 2023, right-of-use assets that presented within investment properties with a carrying amount value of RMB3,080,000 (2022: RMB3,395,000).

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machineries RMB'000	Motor vehicles RMB'000	Furniture and equipment RMB'000	Leasehold improvement RMB'000	Construction in Progress RMB'000	Total RMB'000
Cost							
As at 1 January 2022	208,062	29,648	3,602	4,718	160,601	–	406,631
Additions	–	8,852	1,950	412	28,867	–	40,081
Additions through acquisition of subsidiaries	–	4,411	38	15	5,503	–	9,967
Transfer to investment properties	(10,731)	–	–	–	–	–	(10,731)
Transfer from net investment in leases	4,718	–	–	–	–	–	4,718
Disposals	–	(8,009)	(527)	(69)	–	–	(8,605)
As at 31 December 2022	<u>202,049</u>	<u>34,902</u>	<u>5,063</u>	<u>5,076</u>	<u>194,971</u>	<u>–</u>	<u>442,061</u>
As at 1 January 2023	202,049	34,902	5,063	5,076	194,971	–	442,061
Additions	–	796	203	131	280	17,709	19,119
Transfer from investment properties	12,765	–	–	–	–	–	12,765
Disposals	(17,500)	(5,430)	(859)	(20)	(2,000)	–	(25,809)
As at 31 December 2023	<u>197,314</u>	<u>30,268</u>	<u>4,407</u>	<u>5,187</u>	<u>193,251</u>	<u>17,709</u>	<u>448,136</u>
Accumulated depreciation and impairment							
As at 1 January 2022	78,722	17,902	2,586	4,299	118,861	–	222,370
Charge for the year	6,374	1,428	198	322	11,698	–	20,020
Transfer to investment properties	(2,124)	–	–	–	–	–	(2,124)
Written back on disposal	–	(3,573)	(501)	(61)	–	–	(4,135)
As at 31 December 2022	<u>82,972</u>	<u>15,757</u>	<u>2,283</u>	<u>4,560</u>	<u>130,559</u>	<u>–</u>	<u>236,131</u>
As at 1 January 2023	82,972	15,757	2,283	4,560	130,559	–	236,131
Charge for the year	3,363	2,336	377	141	9,896	–	16,113
Transfer from investment properties	2,233	–	–	–	–	–	2,233
Written back on disposal	(7,238)	(5,424)	(758)	(16)	(2,100)	–	(15,536)
Impairment loss	1,946	73	60	8	1,685	–	3,772
As at 31 December 2023	<u>83,276</u>	<u>12,742</u>	<u>1,962</u>	<u>4,693</u>	<u>140,040</u>	<u>–</u>	<u>242,713</u>
Net book amount							
As at 31 December 2023	<u>114,038</u>	<u>17,526</u>	<u>2,445</u>	<u>494</u>	<u>53,211</u>	<u>17,709</u>	<u>205,423</u>
As at 31 December 2022	<u>119,077</u>	<u>19,145</u>	<u>2,780</u>	<u>516</u>	<u>64,412</u>	<u>–</u>	<u>205,930</u>

As at 31 December 2023, the Group's buildings amounting to RMB65,830,000 (2022: RMB72,231,000) were pledged to the banks to secure the bank loans granted to the Group.

The management estimated the recoverable amounts and recognised relevant impairment loss as a result of the general economic uncertainty in the global market.

At 31 December 2023, the recoverable amounts of the Group's property, plant and equipment, determined using income approach, attributable to wigs CGU, clothing and others CGU and fabric care, personal hygiene and home care products CGU were RMB31,160,000, RMB156,220,000 and RMB58,564,000 (2022: RMB42,030,000, RMB200,690,000 and RMB53,685,000) respectively. The recoverable amounts as at 31 December 2023 has been arrived based on a value in use estimation carried out by an independent professional qualified valuer Peak Vision Appraisals Limited.

The recoverable amounts of the Group's property, plant and equipment are determined using income approach which adopted the discounted cash flow method, net of future cash outflow, using a discount rate of weighted average cost of capital. When actual cash flow differs materially from the estimated cash flow, adjustments have been made to the estimated value in use.

The most significant inputs, all of which are unobservable, are the selling price growth rate, terminal growth rate, gross profit ratio and discount rate. The estimated value in use increases if the estimated cash flow increases or if discount rate (weighted average cost of capital) decline. The overall valuations are sensitive to all assumptions. Management considers the range of reasonably possible alternative assumptions is the greatest for value in use and that there is an interrelationship between these inputs.

	As at 31 December 2023	As at 31 December 2022
CGU of wigs		
– selling price growth rate	2%–3%	1%–3%
– terminal growth rate	3%	2.2%
– gross profit ratio	23%–27%	27%–29%
– discount rate	16%	17.35%
CGU of clothing and others (including cosplay costumes, sexy lingerie and others)		
– selling price growth rate	2%–3%	2%
– terminal growth rate	3%	2.2%
– gross profit ratio	23%–26%	30%–32%
– discount rate	17%	17.35%
CGU of fabric care, personal hygiene and home care products		
– selling price growth rate	2.20%–5%	2%
– terminal growth rate	2.20%	2.00%
– gross profit ratio	30%–33%	30%
– discount rate	18.80%	18.60%

15. INTANGIBLE ASSETS

	Trademark <i>RMB'000</i>	Patent <i>RMB'000</i>	Total <i>RMB'000</i>
Cost			
As at 1 January 2022	12,713	–	12,713
Addition through acquisition of subsidiaries	<u>–</u>	<u>6,301</u>	<u>6,301</u>
As at 31 December 2022 and 31 December 2023	<u>12,713</u>	<u>6,301</u>	<u>19,014</u>
Accumulated amortisation			
As at 1 January 2022	3,684	–	3,684
Charge for the year	<u>6,374</u>	<u>525</u>	<u>6,899</u>
As at 31 December 2022 and 1 January 2023	10,058	525	10,583
Charge for the year	<u>2,655</u>	<u>1,260</u>	<u>3,915</u>
As at 31 December 2023	<u>12,713</u>	<u>1,785</u>	<u>14,498</u>
Net book amount			
As at 31 December 2023	<u>–</u>	<u>4,516</u>	<u>4,516</u>
As at 31 December 2022	<u>2,655</u>	<u>5,776</u>	<u>8,431</u>

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

16. INVENTORIES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Raw materials	11,753	14,470
Work in progress	1,783	3,069
Finished goods	9,802	9,233
	<u>23,338</u>	<u>26,772</u>

17. TRADE AND OTHER RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables		
– from third parties	42,034	53,246
Less: ECL allowance	(4,867)	(1,594)
	<u>37,167</u>	<u>51,652</u>
Deposits, prepayments and other receivables		
Prepayments	14,257	6,719
Other tax receivables	860	1,442
Deposits	1,041	3,197
Other receivables	7,189	7,070
	<u>23,347</u>	<u>18,428</u>
	<u>60,514</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 90 days (2022: 45 to 60 days). Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0–30 days	17,261	31,352
31–60 days	10,512	6,002
61–90 days	4,819	9,055
91–365 days	4,107	5,243
Over 365 days	468	–
	<u>37,167</u>	<u>51,652</u>

As at 31 December 2023, ECL allowance of RMB4,867,000 (2022: RMB1,594,000) was recognised.

The ECL rate for trade receivables as at 31 December 2023 and 2022 was determined as follows:

	2023	2022
0–30 days	2.91%	1.26%
31–60 days	4.52%	1.89%
61–90 days	6.93%	2.92%
91–365 days	20.28%	4.54%
Over 365 days	90.00%	100%

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

	2023	2022
	RMB'000	RMB'000
At 1 January	1,594	19,355
Amount written off during the year	–	(19,187)
ECL allowance recognised during the year	3,273	1,426
At 31 December	4,867	1,594

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current:		
Trade payables		
– To third parties	<u>9,109</u>	<u>4,755</u>
Accrued charges and other payables		
– Salaries payables	6,943	6,423
– Other tax payables	2,813	1,054
– Other payables	3,477	2,168
– Consideration payable	<u>7,318</u>	<u>–</u>
	<u>20,551</u>	<u>9,645</u>
	<u>29,660</u>	<u>14,400</u>
Non-current:		
– Other payable	<u>–</u>	<u>600</u>
	<u>29,660</u>	<u>15,000</u>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0–30 days	<u>9,109</u>	<u>4,755</u>

19. CONTRACT LIABILITIES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Contract liabilities arising from receiving deposits of manufacturing orders	<u>45</u>	<u>301</u>

When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of a contract until the revenue recognised on the contract exceeds the amount of the deposit.

All the outstanding contract liabilities at beginning of the year have been recognised as revenue during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

	2023		2022		Increase (decrease) of revenue (approximate %)
	Revenue <i>RMB'000</i>	% of total	Revenue <i>RMB'000</i>	% of total	
CMS business	208,646	58.7%	195,045	64.8%	7.0%
OBM business	147,029	41.3%	106,068	35.2%	38.6%
Total	<u>355,675</u>	<u>100.0%</u>	<u>301,113</u>	<u>100.0%</u>	18.1%

Revenue by operating and reportable segments

	2023		2022		Increase (decrease) of revenue (approximate %)
	Revenue <i>RMB'000</i>	% of total	Revenue <i>RMB'000</i>	% of total	
Wigs	42,096	11.8%	33,205	11.0%	26.8%
Clothing and others	229,555	64.5%	249,353	82.8%	(7.9)%
Fabric care, personal hygiene and home care products	84,024	23.6%	18,555	6.2%	352.8%
Total	<u>355,675</u>	<u>100%</u>	<u>301,113</u>	<u>100.0%</u>	18.1%

Our revenue from both the CMS business and the OBM business increased from RMB301.1 million for the year ended 31 December 2022 to RMB355.7 million for the year ended 31 December 2023, representing an increase of 18.1%.

To enhance our production efficiency and to foster the collaboration of companies of our upstream and downstream industries, we established a “Party Culture Industrial Park” (the “**Park**”) in Yiwu, PRC in late 2019 and the lease period of the Park was subsequently renewed for a further three years during the year. The Park, together with our E-commerce Operation Centre and our Service and Experience Centre (the “**Centre**”) helped to integrate and coordinate with companies of our upstream and downstream industries. The Group further entered into a lease agreement for the Feifeng Road Premises, located near the Group’s existing Park (“**Feifeng Road Premises**”) in September 2020, to expand the Park. The Group had sub-leased the Park and the Feifeng Road Premises to the companies of the Group’s upstream and downstream industries.

For the factory buildings at our Yiwu Production Plant and Yichun Production Plant, in view of the uncertain foreign trade environment caused by the COVID-19, the Group had sub-leased part of the Yiwu Production Plant in 2021 and the Yichun Production Plant in 2020 to other local enterprises. Consequently, the portion being sub-leased for the Yiwu Production Plant and the Yichun Production Plant were being reclassified as investment properties at cost model. As at 31 December 2023, 65% (2022: 65%) of the gross floor areas were sub-leased. The Group is actively looking for tenants and the management believe that sub-leasing the Yiwu Production Plant and the Yichun Production Plant help to better utilize the assets of the Group.

Gross income from leasing of factory premises of approximately RMB5,952,000 (2022: RMB4,475,000) (including the lease of plant and machineries) were recognized during the year and included in other income on the face of the consolidated statement of profit or loss and other comprehensive income.

Loss attributable to the equity holders of the Company increased from approximately RMB15.1 million for the year ended 31 December 2022 to approximately RMB23.9 million for the year ended 31 December 2023.

FINANCIAL REVIEW

Revenue and Gross Profit

	2023	Gross Profit	2022	Gross Profit	Revenue %
	Revenue	margin	Revenue	margin	change
	<i>RMB'000</i>		<i>RMB'000</i>		
CMS business					
Cosplay costumes	163,923	21.8%	147,052	23.9%	11.5%
Cosplay wigs	29,628	20.8%	15,478	22.7%	91.4%
Sexy lingerie	4,104	24.4%	1,847	18.0%	122.2%
Fabric care, personal hygiene and home care products	2,771	29.0%	1,391	27.7%	99.2%
Others	8,220	32.5%	29,277	22.2%	(71.9)%
	<u>208,646</u>	<u>22.2%</u>	<u>195,045</u>	<u>23.6%</u>	7.0%
OBM business					
Cosplay costumes	33,846	22.5%	51,704	25.8%	(34.5)%
Cosplay wigs	12,468	24.0%	17,727	26.5%	(29.7)%
Sexy lingerie	17,468	25.1%	7,643	22.4%	128.6%
Fabric care, personal hygiene and home care products	81,253	31.7%	17,164	26.6%	373.4%
Others	1,994	(1.0)%	11,830	40.5%	(83.1)%
	<u>147,029</u>	<u>27.7%</u>	<u>106,068</u>	<u>27.4%</u>	38.6%
Total	<u><u>355,675</u></u>	<u><u>24.5%</u></u>	<u><u>301,113</u></u>	<u><u>24.9%</u></u>	18.1%

Revenue

CMS Business

During the year ended 31 December 2023, our revenue derived mainly from our CMS business, representing approximately 58.7% (2022: 64.8%) of the total revenue. Revenue derived from the CMS business increased from approximately RMB195.0 million in 2022 to approximately RMB208.6 million in 2023, representing an increase of approximately 7.0%.

OBM Business

The revenue derived from our OBM business increased from approximately RMB106.1 million in 2022 to approximately RMB147.0 million in 2023, representing an increase of approximately 38.6% which was mainly contributed from the sale of fabric care, personal hygiene and home care products.

Leasing Business

Our Park, the Centre and the Feifeng Road Premises were sub-leased to companies in the relevant industries with the aim to integrate the design and development of cultural products, internet celebrity, creative design, research and development and supply chain of the whole industrial chain. The Group also sub-leased part of the Yiwu Production Plant and the Yichun Production Plant to other local enterprises with the view to better utilize the assets of the Group. Gross income from leasing of these premises (including the rental income from leasing of plant and machineries) of approximately RMB5,952,000 (2022: RMB4,475,000) were recognized during the year and included in “other income” in the consolidated statement of profit or loss and other comprehensive income.

Gross profit margin

Our gross profit margin slightly decreased from approximately 24.9% in 2022 to approximately 24.5% in 2023. The slightly decrease in the gross profit margin was mainly due to the decrease in the margin contributed by the cosplay wigs and cosplay costumes which were affected by the international trade environment.

Cost of sales

The costs of sales increased by approximately RMB42.6 million, from approximately RMB226.0 million in 2022 to approximately RMB268.6 million in 2023.

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 RMB4.5 million, from approximately RMB21.6 million in 2022 to approximately RMB17.1 million in 2023. The decrease was primarily due to the decrease in subcontracting income of approximately RMB3.0 million and utility income of approximately RMB2.2 million.

Selling expenses

Our selling expenses increased by approximately RMB2.1 million, from approximately RMB5.5 million in 2022 to approximately RMB7.7 million in 2023. The increase was primarily due to the increase in advertisement expense as a result of the enlarged operation scale of the fabric care, personal hygiene and home care products businesses.

Administrative and other operating expenses

Our administrative and other operating expenses decreased by approximately RMB1.9 million, from approximately RMB95.7 million in 2022 to approximately RMB93.8 million in 2023. The decrease was primarily due to the decrease in depreciation and amortisation expenses of approximately RMB7.2 million, and offset by the increase in research and development costs of approximately RMB6.8 million.

ECL allowance of trade receivables

The Group had applied the expected credit losses for all trade receivables. The increase of the expected credit losses was due to the impairment of certain long overdue trade receivable.

Impairment loss on property, plant and equipment

The Group has determined the impairment loss of property, plant and equipment and investment properties based on the recoverable amount of the cash-generating units (“CGU”) with property, plant and equipment and investment properties allocated respectively. During the year ended 31 December 2023, impairment loss on property, plant and equipment of approximately RMB3.8 million was recognized as a result of the drop in the gross profit margin which in turn reduced the recoverable amount of the property, plant and equipment in relation to the CGU of wigs.

The details of the key inputs and assumptions adopted in the valuations relating to the property, plant and equipment and investment properties are set out in notes 13 and 14 to this announcement. There are no significant changes in the assumption adopted in the valuations.

Fair value loss on financial asset at fair value through profit or loss

The fair value loss on financial asset at fair value through profit or loss arose from the 15% equity interests in Diamond Virtue Limited (its subsidiaries, are engaged in the provision of flexible staffing service and recruitment solutions services in the PRC). The Directors are of the view that the fair value loss were mainly due to weak financial results during 2023 and will not pose any material adverse impact on the financial position and business operations of the Group as a whole.

Finance costs

Our finance costs decreased by approximately RMB2.1 million, from approximately RMB4.6 million in 2022 to approximately RMB2.6 million in 2023. The decrease was mainly due to the repayment of borrowings during the year.

Share of loss of associates

Share of loss of associates relates to the Group's associates established for the purpose of developing the cultural tourism business. The Group's share of loss of associates for the year was approximately RMB46,000 (2022: RMB212,000).

Income tax

Our income tax expenses increased by approximately RMB0.1 million, from approximately RMB3.7 million in 2022 to approximately RMB3.8 million in 2023. The increase in tax was primarily due to the increase in provision of income tax.

Financial resources and liquidity and capital structure

As at 31 December 2023, the total amount of bank balances and cash of the Group was approximately RMB49.5 million, an increase of approximately RMB1.9 million when compared with that as at 31 December 2022. The slightly increase in bank balances and cash arose mainly from the net proceed of a share placing of approximately HK\$32.8 million (equivalent to approximately RMB28.8 million) and the net repayment of bank borrowing of approximately of approximately RMB63.8 million and the capital expenditure of approximately RMB19.1 million.

The borrowings of the Group represented bank and other borrowings of approximately RMB8.2 million.

As at 31 December 2023, the current ratio and the gearing ratio were 326.4% and 2.0% respectively. Current ratio is calculated based on total current assets divided by total current liabilities at the end of the financial year and gearing ratio is calculated based on total borrowings divided by total equity at the end of the financial year.

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

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

Capital expenditure

During the year ended 31 December 2023, the Group invested approximately RMB19.1 million in property, plant and equipment.

Pledged of assets

As at 31 December 2023, our bank loans were secured by the Group's right-of-use assets, buildings and investment properties with carrying value of approximately RMB4.7 million, RMB65.8 million and RMB32.5 million respectively.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2023.

Foreign currency exposure

Our exposures to currency risk arose from sales to overseas markets, which are primarily denominated in USD and JPY. These are not our functional currencies to which these sales transactions relate. 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 RMB404,000 was recognised during the year.

Human resources

As at 31 December 2023, we had approximately 671 employees (31 December 2022: 567). Total staff costs for the year amounted to approximately RMB85.5 million (2022: RMB77.5 million).

Remuneration policy

The Remuneration Policy for the employees (including key management) of the Group was laid down by the management of the Group on the basis of their merit, qualifications and competence. The Remuneration Committee will review and recommend to the Board for approval the Remuneration Policy periodically.

The remuneration of the Directors of the Company are reviewed and recommended by the Remuneration Committee to the Board for approval, having regard to the Company's operating results, individual performance and comparable market statistics. No Director, or any of his associates and executives, will be involved in deciding his own remuneration.

We have adopted a share option scheme to recognise and reward the contribution of our employees, provide incentives to retain them to support our continued growth and to attract suitable personnel for further development. We regularly review the remuneration and benefits of our employees according to the relevant market practice, employee performance and the financial performance of the Company.

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).

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 31 December 2023, the net proceeds of approximately HK\$10 million have been used for general working capital of the Group and 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.

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

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

The audited results of Zhejiang Kelee for the year ended 31 December 2023 and 2022, which recorded the aggregate Zhejiang Kelee Net Profit of approximately RMB19.4 million, is less than the Zhejiang Kelee Guaranteed Profit by RMB0.6 million (the “**Zhejiang Kelee Shortfall**”). Pursuant to the relevant agreement, if the Zhejiang Kelee Shortfall is less than the Cash Balance, the vendor shall pay the Company the shortfall which may be applied by the Company to set off against the Cash Balance, and the Company shall pay the vendor the difference in amount which amounted to approximately RMB7.32 million (equivalent to approximately HK\$8.0 million).

Zhejiang Kelee is primarily engaged in the research and development, manufacturing and sale of fabric care, personal hygiene and home care products in the PRC. The failure to meet the Zhejiang Kelee Guaranteed Profit is mainly due to the sporadic occurrences of coronavirus (COVID-19) infection quickly evolved into major regional outbreaks, leading to tightened COVID-related health measures and lockdowns in Yiwu city in year 2022 and which lead to the increase in raw materials and staff cost in 2022.

The Directors are of the view that the failure to meet the Zhejiang Kelee Guaranteed Profit will not pose any material adverse impact on the financial position and business operations of the Group as a whole.

EVENT AFTER THE REPORTING PERIOD

There are no significant events after the reporting period of the Group.

PROSPECTS

In the future, the global economy is likely to face obstacles such as elevated interest rates, geopolitical tensions, and trade conflicts between China and the United States. These challenges will continue to cast a shadow over the global economy, even some positive indicators emerge. Despite this, there is a prevailing belief among market experts that interest rates have reached their peak, and there may be potential rate cuts in 2024. If these predictions prove accurate, it is possible that the overall sentiment surrounding global business and investment will improve.

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

CORPORATE GOVERNANCE REPORT

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (“**CG Code**”) as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). To the knowledge of the Board, the Company had fully complied with the relevant code provisions in the CG Code for the year ended 31 December 2023.

The Group also has an internal control system in place serving the check and balance function. There are three Independent Non-executive Directors who represent nearly one half of the Board offering practical, independent and differing perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the code of conduct regarding directors’ securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code throughout year ended 31 December 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities during the year ended 31 December 2023.

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) on 7 August 2015 with written terms of reference in compliance with the CG code, and currently comprises three Independent Non-executive Directors, namely Mr. Zheng Jin Min (as chairman), Mr. Chen Wen Hua and Ms. Peng Xu. The primary duties of the Audit Committee are to review the financial reporting process and internal control and risk management systems of the Group. The Audit Committee has reviewed the Company’s annual results for the year ended 31 December 2023 in conjunction with the Company’s external auditor.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2023 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 2023 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 2023 annual report of the Company for the year ended 31 December 2023 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
China Partytime Culture Holdings Limited
Teng Hao
Chairman

Hong Kong, 28 March 2024

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.