合寶豐年
ALPHA ERA

ALPHA ERA INTERNATIONAL HOLDINGS LIMITED
合 寶 豐 年 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8406

ANNUAL REPORT

2017

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the "Directors") of Alpha Era International Holdings Limited (the "Company" and together with its subsidiaries, the "Group") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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BOARD OF DIRECTORS

Executive Directors
Mr. Huang Xiaodong *(Chairman)*
Mr. Xiao Jiansheng *(Chief Executive Officer)*

Non-executive Director
Mr. Lee Kin Kee

Independent non-executive Directors
Mr. Mao Guohua
Mr. Gan Minqing
Mr. Chu Wai Wa Fangus

Audit Committee
Mr. Chu Wai Wa Fangus *(Chairman)*
Mr. Gan Minqing
Mr. Mao Guohua

Remuneration Committee
Mr. Gan Minqing *(Chairman)*
Mr. Chu Wai Wa Fangus
Mr. Mao Guohua
Mr. Xiao Jiansheng

Nomination Committee
Mr. Mao Guohua *(Chairman)*
Mr. Xiao Jiansheng
Mr. Chu Wai Wa Fangus
Mr. Gan Minqing

COMPLIANCE OFFICER
Mr. Xiao Jiansheng

AUTHORISED REPRESENTATIVES
Mr. Huang Xiaodong
Mr. Wan Hon Keung

COMPANY SECRETARY

Mr. Wan Hon Keung

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Clifton House, 75 Fort Street
P.O. Box 1350, Grand Cayman
KY1-1108, Cayman Islands

HEAD OFFICE

Dongcheng Industrial Zone
Xinping Road, Minzhong Town
Zhongshan City, Guangdong Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 1903-04 Tamson Plaza
161 Wai Yip Street, Kwun Tong
Kowloon, Hong Kong

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F., Gloucester Tower, The Landmark
11 Pedder Street, Central, Hong Kong

LEGAL ADVISERS

As to Hong Kong law:
CFN Lawyers in association with Broad & Bright
Room 4101-04, 41st Floor, Sun Hung Kai Centre
30 Harbour Road, Wan Chai, Hong Kong

COMPLIANCE ADVISER

Frontpage Capital Limited
26th Floor, Siu On Centre
188 Lockhart Road, Wan Chai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Estera Trust (Cayman) Limited
Clifton House, 75 Fort Street
P.O. Box 1350, Grand Cayman
KY1-1108, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKERS

Industrial & Commercial Bank of China
Industrial & Commercial Bank of China (Asia) Limited

STOCK CODE

8406

COMPANY'S WEBSITE

www.alpha-era.co

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Alpha Era International Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 (the "Year").

The Group reached an important milestone during the Year, with Company shares being successfully listed on GEM on 7 December 2017 (the "Listing"). The net proceeds of approximately HK$20,658,000 were raised. The Listing not only improved the Group's reputation, but also provided a direct financing platform for its future business development. The Group recorded a turnover of approximately RMB176,810,000 during the Year, representing an increase of approximately RMB4,463,000 or 2.6% compared with the same period in 2016. Gross profit margin also increased from 22.6% in 2016 to 23.2% during the Year. Profits after tax for the Year amounted to approximately RMB9,549,000, representing an increase of approximately RMB124,000 compared to 2016.

Through years of effort in pursuing high standards of quality in all of our products and following stringent quality control procedures throughout our production processes, the Group has gained much client trust. The Group will strengthen its product portfolio and brand recognition through the continuous development of innovative products in the future. The Group will also expand its production capabilities and strengthen its marketing effort to explore new business opportunities. I am very confident about the Group's future development and expect further growth in the future.

I would like to take this opportunity to express my sincere gratitude to each shareholder, client, business partner and supplier for their continuing support, and hereby thank our management and staff for their support, trust and contributions through the years.

Huang Xiaodong
Chairman

Hong Kong, 23 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Our Group is principally engaged in the manufacturing and sales of inflatable products and related accessories. Founded in 2003, we have over 10 years' experience in designing, manufacturing and marketing high quality inflatable playgrounds and other inflatable products. We sell our inflatable products under various brand. Through years of effort in marketing and promotion, the inflatable products we produce have been sold widely in various overseas markets.

We manufacture our products in our production facilities in Dongcheng Industrial Zone located in Zhongshan City, Guangdong Province. We are committed to high standards of quality in all of our products and follow stringent quality control procedures throughout our production processes. We believe our product design and development capabilities will help strengthen our competitiveness through product differentiation and innovation.

During the Year, our Group achieved a key milestone in its history that the shares of Company were successfully listed on GEM on 7 December 2017. The Listing has not only enhanced the Group's profile in the industry, but also provided our Group with a strengthened cash flow base with the listing proceeds raised. We are committed to implement its future plans so as to strengthen our position in the inflatable products industry and further expand our business operations.

As 78.8% and 67.8% of our revenue for the years ended 31 December 2017 and 31 December 2016 respectively are denominated in US Dollars but our costs we incurred for the production are denominated in Renminbi, significant fluctuation in the exchange rate between RMB against US Dollars may materially affect our business results of operations. Our Group recorded net foreign exchange gain of approximately RMB1,733,000 for the year ended 31 December 2016 but recorded a net foreign exchange loss of approximately RMB1,525,000 for the year ended 31 December 2017.

Notwithstanding the exchange rate risk and the keen competition from other inflatable playground manufacturers we are facing, with the expertised and experienced management team, maintaining good relationships with our major customers and our emphasis on the quality and safety of our products, the Directors consider that our Group is in good position to compete against its competitors under such future challenges. The Group will also pursue the four key business strategies: (i) to expand and enhance our product offerings through continuous product development efforts and continue to strengthen our brand recognition; (ii) to expand production capacity; (iii) to attract and retain quality personnel; and (iv) to increase marketing effort, expand distribution network and explore new business opportunities.

FINANCIAL REVIEW

REVENUE

Our Group's revenue was approximately RMB176,810,000 for the year ended 31 December 2017, representing a slightly increase of RMB4,463,000 or 2.6% as compared to the revenue for the year ended 31 December 2016. Revenue from the sales of inflatable playgrounds with air blowers for the year ended 31 December 2017 was approximately RMB162,327,000 (2016: RMB148,863,000), increased by RMB13,464,000 or 9.0% compared with last year, which accounted for approximately 91.8% of our total revenue (2016: 86.4%); revenue from the sales of other inflatable products for the year ended 31 December 2017 was approximately RMB7,225,000 (2016: RMB5,803,000), increased by RMB1,422,000 or 24.5% compared with last year, which accounted for approximately 4.1% of our total revenue (2016: 3.4%); revenue from the sales of inflatable products related accessories and subcontracting work for the year ended 31 December 2017 was approximately RMB7,258,000 (2016: RMB17,681,000), decreased by RMB10,423,000 or 59.0%, which accounted for 4.1% of our total revenue (2016: 10.2%).

An analysis of the Group's revenue for the year by geographical location is set out in note 6 to the consolidated financial statements.

COST OF SALES

Our cost of sales increased by 1.8% to approximately RMB135,790,000 for the year ended 31 December 2017 from approximately RMB133,426,000 for the corresponding period in 2016 which is in line with the increase in revenue.

GROSS PROFIT AND GROSS PROFIT MARGIN

Our Group recorded a gross profit of approximately RMB41,020,000 for the year ended 31 December 2017, an increase of approximately RMB2,099,000 compared with that for the year ended 31 December 2016 (2016: RMB38,921,000). Our profit margin was 23.2% for the current year, a slight increase of 0.6% as compared to the previous year (2016: 22.6%).

OTHER INCOME AND GAINS

Total other income and gains was approximately RMB490,000 for the year ended 31 December 2017, representing a decrease of approximately RMB2,157,000 compared with 2016 (2016: RMB2,647,000), mainly due to our Group recorded a net foreign exchange gains in 2016 for approximately RMB1,733,000 while there was no net foreign exchange gain recorded in 2017.

DISTRIBUTION AND SELLING EXPENSES

Total distribution and selling expenses was approximately RMB10,596,000 for the year ended 31 December 2017 (2016: RMB9,269,000), an increase of RMB1,327,000 or 14.3% compared with last year. The increase was mainly resulted from: (i) increased spending in advertising and promotion expenses by approximately RMB490,000; and (ii) increased spending in freight and transportation expenses by approximately RMB361,000 due to higher sales volume in 2017.

ADMINISTRATIVE EXPENSES

The administrative expenses was approximately RMB15,102,000 for the year ended 31 December 2017 (2016: RMB12,268,000), an increase of RMB2,834,000 or 23.1% compared with last year. The increase was mainly resulted from: (i) increased spending in legal & professional fees by approximately RMB599,000; (ii) increased spending in product development expenses by approximately RMB816,000; and (iii) a net foreign exchange loss of approximately RMB1,525,000 was recorded in the year 2017 while no net foreign exchange loss was recorded in the year 2016.

FINANCE COSTS

As our Group did not have any borrowing during the year, no finance costs was recorded for the year ended 31 December 2017 (2016: Nil).

PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit and total comprehensive income attributable to owners of the Company for the year ended 31 December 2017 was approximately RMB9,384,000 (2016: RMB9,249,000).

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING RATIO

Our Company's shares were successfully listed on GEM on 7 December 2017. There has been no change in the capital structure of the Group since the date of Listing and up to the date of this report.

The current ratio of the Group as at 31 December 2017 was approximately 2.29 as compared to that of approximately 1.60 as at 31 December 2016. The quick ratio of Group as at 31 December 2017 was approximately 1.72 as compared to that of approximately 1.27 as at 31 December 2016. Since no borrowings was outstanding as at 31 December 2017 and 31 December 2016, no gearing ratio was applicable.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2017 (2016: Nil).

CONTINGENT LIABILITIES

As at 31 December 2017, our Group did not have any significant contingent liabilities (2016: Nil).

PLEDGE OF ASSETS

As at 31 December 2017, our Group had no assets pledged for bank borrowings or for other purpose (2016: Nil).

CAPITAL COMMITMENTS

As at 31 December 2017, our Group did not have any significant capital commitments not provided for in the financial statements (2016: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2017, our Group did not have any material acquisitions and disposal of subsidiaries and affiliated companies (2016: Nil).

SIGNIFICANT INVESTMENTS HELD BY OUR GROUP

During the year ended 31 December 2017, there was no significant investment held by our Group (2016: Nil).

FUTURE PLAN FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed in the section “Use of Proceeds” in the Prospectus, our Group does not have any plan for material investment and capital assets for the coming year.

FOREIGN CURRENCY EXPOSURE

As 78.8% and 67.8% of our revenue for the years ended 31 December 2017 and 31 December 2016 respectively are denominated in US Dollars but our costs we incurred for the production are denominated in Renminbi, significant fluctuation in the exchange rate between RMB against US Dollars may materially affect our business results of operations. As a result of our business expansion to overseas markets, we will continue to generate a significant amount of sales, assets and liabilities denominated in a currency other than RMB. In this case, we would be exposed to risks related to the exchange rate and the currency in which our assets and liabilities are denominated. A depreciation of RMB would require us to use more RMB funds to service the same amount of foreign currency liabilities, or a depreciation of foreign currency against RMB would result in receipts from receivables substantially less than the contractual amounts in terms of RMB at the settlement date.

Having considered the cost effectiveness with reference to our business model, we currently do not have a formal foreign currency hedging policy or engage in hedging activities designed or intended to manage such exchange rate risk during the reporting years. Because RMB is not freely convertible, our ability to reduce foreign exchange rate risk is limited.

TREASURY POLICIES

Our Group are exposed to credit risk primarily arising from trade receivables and bank deposits. Trade receivables are from customers with good collection track records with us. For trade receivables, we adopt the policy of dealing only with customers of appropriate credit history to mitigate credit risks. No provision of doubtful debts was recognized during the years ended 31 December 2017 and 2016 because there were subsequent settlements or no historical default of payments by the respective customers and the amounts are still considered recoverable.

Bank deposits are mainly deposits with banks with good credit ratings assigned by international credit-rating agencies or with good reputation. For bank deposits, we adopt the policy of dealing only with high credit quality counterparties.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, we had 515 full-time employees (31 December 2016: 526). Most of our employees are located in Zhongshan City, Guangdong Province, the PRC. The total employee remuneration, including remuneration of the Directors, for the year ended 31 December 2017 amounted to approximately RMB32,173,000 (2016: RMB29,056,000).

Our Group entered into separate labour contracts with each of our employees in accordance with the applicable labour laws in Hong Kong and the PRC. Our Group provides its employees with various benefits including discretionary bonus, contribution to social insurance premium and housing provident fund, and contribution to mandatory provident fund. Our Group also offers options that may be granted to employees under the share option scheme.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The Shares were listed on GEM on 7 December 2017 shortly before the year ended 31 December 2017. The business objectives as listed in the prospectus of the Company dated 23 November 2017 (the "Prospectus") were prepared to a latest practicable date at 13 November 2017. The Board confirms that between 13 November 2017 and 31 December 2017, there was no significant progress as to the business objectives prescribed in the Prospectus. The unutilised net proceeds have been placed as interest bearing deposits with licensed bank in Hong Kong. The Directors had evaluated the Group's business strategies and considered that, as at the date of this report, no modification of the business strategies regarding the use of proceeds as described in the Prospectus was required.

USE OF PROCEEDS FROM SHARE OFFER

The net proceeds from the issue of new shares of our Company at the time of its listing on GEM on 7 December 2017 through a share offer of 120,000,000 shares of HK$0.01 each in the share capital of our Company at the price of HK$0.315 per share, after deduction of the related underwriting fees, professional service fees and issuance expenses paid by the Group in connection thereto, were approximately HK$20.7 million.

The actual net proceeds from the issue of new shares of the Company under the share offer was different from the estimated net proceeds of approximately HK$17.1 million as set out in the Prospectus. The Group adjusted the use of proceeds in the same manner and in the same proportion as shown in the Prospectus, which is (i) approximately 26.5% of the net proceeds, or approximately HK$5.5 million, will be used for expanding and enhancing product offerings through continuous product development efforts and continuing to strengthen brand recognition; (ii) approximately 26.5% of the net proceeds, or approximately HK$5.5 million, will be used for expanding production capacity; (iii) approximately 21.1% of the net proceeds, or approximately HK$4.4 million, will be used for attracting and retaining quality personnel; (iv) approximately 20.7% of the net proceeds, or approximately HK$4.3 million, will be used for uplifting marketing effort, expanding distribution network and exploring new business opportunities; and (v) approximately 5.2% of the net proceeds, or approximately HK$1.0 million, will be used as general working capital.

The following table sets forth the status of the use of proceeds from the share offer subsequent to the listing of our Group and up to 31 December 2017:

	Planned use of net proceeds as stated in the Prospectus up to 30 June 2018 HK$'000	Actual use of net proceeds up to 31 December 2017 HK$'000
Expand and enhance our product offerings through continuous product development efforts and continue to strengthen our brand recognition	2,185	–
Expand production capacity	2,428	–
Attract and retain quality personnel	1,749	–
Increase marketing effort, expand distribution network and explore new business opportunities	1,749	–
General working capital	1,077	–
	9,188	–

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by our Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of our Group's business and the industry.

PRINCIPAL RISKS AND UNCERTAINTIES

Our Group's key risk exposures are summarized as follows:–

1. Our Group's past revenue and profit margin may not guarantee our Group's future revenue and profit margin.

2. We are subject to risks of fluctuations in the exchange rate between RMB and US Dollars.

3. We are subject to risks associated with marketing, distribution and sales of our products internationally.

4. Sales of our products are subject to changes in consumer perception and preference.

5. We may be subject to product liability claims.

6. Fluctuations in the price and supply of raw materials may bring negative impact to the performance of our Group.

7. We are dependent on a skilled workforce in the PRC to run our production facilities and our Group may experience a shortage of labour or its labour costs may increase.

8. We are subject to environmental protection regulations and requirements.

9. We are subject to changes in economic, political and social conditions in the PRC and policies adopted by the PRC government.

10. The PRC legal system is not fully developed and has inherent uncertainties which could limit the legal protections available to our Group.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries during the year ended 31 December 2017.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES

Customers

We consider our customers as one of the most important stakeholders. Our commitment to continue our dedication to quality control, product safety and customer service are essential in maintaining the trust of our consumers. Besides selling our products in domestic market, we also sold to over 40 countries in Europe, Australia and Oceania, North America, Asia, Central and South America and Africa during the year ended 31 December 2017. During the year ended 31 December 2017, our Group recorded revenue of RMB133,662,000 from the sales to overseas customers (2016: RMB113,085,000), which accounted for 75.6% of our total revenue (2016: 65.6%). Our Group recorded approximately 46.4% of our total revenue from our Group's top five customers (2016: 44.5%). Our Directors believe that our well-established relationships with our major customers and market conditions, together with our reliable and high-quality products and dedicated customer service, will continue to strengthen our market presence and fuel our future expansion.

To the best knowledge of the Directors, none of the Directors or any of their respective close associates, or any shareholder had any interest in the Group's five largest customers.

Suppliers

Our Group selects our suppliers on the basis of product quality, their background and credibility, reputation, service, price, scale of production and ability to meet our delivery schedule and requests. We typically work with reputable and reliable suppliers to secure key raw materials such as air blowers used in production process. We have established stable and good relationships with our suppliers of our principal raw materials. Our raw materials are generally available from a number of domestic suppliers, and we normally have at least two sources of supply for each type of raw materials to avoid dependency. We require goods provided by our suppliers to meet high quality standards and we conduct regular evaluation on suppliers. During the year ended 31 December 2017, purchases of materials from our five largest suppliers amounted to approximately RMB70,660,000 (2016: RMB63,118,000) and represented 74.8% of our total cost of goods purchased (2016: 72.2%).

To the best knowledge of the Directors, none of the Directors or any of their respective close associates, or any shareholder had any interest in the Group's five largest suppliers.

Subcontractors

During the year ended 31 December 2017, we subcontracted a portion of sewing, printing and packaging works to 9 subcontractors (2016: 9), which are mainly local factories involving in sewing and packaging works. The total subcontracting fees amounted to approximately RMB14,945,000 (2016: RMB14,721,000), representing 11.0% of our total cost of goods (2016: 11.0%). We select our subcontractors based on our assessment of their (i) service quality; (ii) timeliness on delivery; (iii) quotation; and (iv) whether they have a quality assurance system that meets our work requirements.

To the best knowledge of the Directors, none of the Directors or any of their respective close associates, or any shareholder had any interest in our Group's subcontractors.

Employees

Our Group recognises employees as valuable assets of the Group, we intend to use our best effort and retain appropriate and suitable personnel to serve our Group. Our Group assesses available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group. Our Directors believe that we maintain a good working relationship with our employees.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Huang Xiaodong (**黃小冬**), aged 56, is the Chairman and an executive Director of our Company. Mr. Huang is responsible for the overall strategic management and development of our Group's business operations. Mr. Huang was appointed as our director on 3 November 2015 and re-designated as our Chairman and executive Director on 5 March 2016. He is a director of all subsidiaries of our Company.

Mr. Huang has over 16 years of experience in the toy manufacturing industry, he joined our Group in June 2003. Mr. Huang obtained his associate degree in art and crafts (工藝美術) from Guangzhou Academy of Fine Arts (廣州美術學院) in July 1987.

Mr. Xiao Jiansheng (**肖健生**), aged 55, is the Chief Executive Officer and an executive Director of our Company. Mr. Xiao is responsible for overseeing our Group's operation, business development, finance and administration. Mr. Xiao was appointed as our director on 1 February 2016 and re-designated as the Chief Executive Officer and executive Director on 5 March 2016. Mr. Xiao is also a member of each of the Remuneration Committee and the Nomination Committee. He is a director of all subsidiaries of our Group.

Mr. Xiao has over 30 years of experience in the amusement products design and manufacturing industry, he joined our Group in June 2003. Mr. Xiao obtained a bachelor's degree in hydraulic transmission from Wuhan Huazhong Institute of Technology (武漢華中工學院) in July 1982.

NON-EXECUTIVE DIRECTOR

Mr. Lee Kin Kee (**李建基**), aged 54, was appointed as our non-executive Director on 5 March 2016.

Mr. Lee has about 30 years of experience in the finance profession. He obtained a Master's degree in Business Administration from the University of Canberra in Australia in May 2001. He was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in February 1992, and became a fellow thereof in October 2000.

Mr. Lee was a non-executive director of Super Strong Holdings Limited (stock code: 8262) since December 2015 and was re-designated as an executive director from August 2016 onwards.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Mao Guohua (**毛國華**), aged 50, was appointed as our independent non-executive Director on 20 June 2017. He is also the chairman of the Nomination Committee and a member of each of the Audit Committee and Remuneration Committee.

Mr. Mao obtained a bachelor's degree in Business Administration from the Capital University of Economics and Business (首都經貿大學) in October 1989. He started his legal career as a professional lawyer since March 1999.

Mr. Gan Minqing (**甘敏青**), aged 52, was appointed as independent non-executive Director on 20 June 2017. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee.

Mr. Gan obtained a bachelor's degree in Financial Application from Zhongnan University of Economics and Law (中南財經大學) in August 2001. He has over 30 years in commercial and administration works. Mr. Gan has been the chairman of the board of directors of Zhongshan Botianni Stainless Steel Products Company Limited (中山市柏天尼不銹鋼製品有限公司) since March 2007.

Mr. Chu Wai Wa Fangus (**朱偉華**), aged 50, was appointed as our independent non-executive Director on 20 June 2017. He is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee.

Mr. Chu obtained a bachelor's degree with first class honours in accountancy from The City University of Hong Kong (formerly known as the City Polytechnic of Hong Kong) in December 1994, and received a master of science degree in global business from The Chinese University of Hong Kong in October 2005. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and an associate of the Association of Chartered Certified Accountants. Mr. Chu is currently also an independent non-executive director of DCB Holdings Limited (stock code: 8040), a company listed on the GEM of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Wang Haifeng (王海峰), aged 47, joined our Group in June 2003 and is the Financial Controller of our Group now. Mr. Wang is primarily responsible for overseeing and enhancing the accounting function of our Group's accounts and finance department. He has been a director of one of our subsidiaries, Swiftech Company Limited, since August 2015. Mr. Wang obtained his associate degree in corporate financial accounting from Shaanxi Finance & Economics Institute (陝西財經學校) in July 1995. He obtained the qualification of assistant accountant conferred by the Ministry of Finance of the PRC in May 1998. He obtained an associate degree in accounting from China Central Radio and TV University (中央廣播電視大學) in January 2009. Mr. Wang has over 20 years of experience in financial accounting.

Ms. Lin Yannong (林燕儂), aged 45, joined our Group in June 2003 and is the Marketing Director of our Group now. Ms. Lin is primarily responsible for planning and handling marketing and promotional activities. She obtained a bachelor's degree in international business and economics from Shantou University (汕頭大學) in June 1994 and a postgraduate diploma in business-to-business market management from the School of Professional and Continuing Education of the University of Hong Kong (香港大學專業進修學院) in August 2015. Ms. Lin has over 20 years of experience in sales and marketing.

Ms. Li Qiuhong (李秋紅), aged 46, joined our Group in June 2003 and is the Head of Production Department of our Group now. Ms. Li is primarily responsible for overseeing the production of our Group. She has over 20 years of experience in factory management. Ms. Li completed an international business administration workshop (國際高級工商管理總裁研修班) at the School of Continuing Education, Tsinghua University (清華大學繼續教育學院) in October 2011.

Mr. Zhu Wenyi (朱文軼), aged 39, joined our Group in May 2004 and is the Art Director of our Group now. Mr. Zhu is primarily responsible for product design of our Group. He has over 10 years of experience in product design. Mr. Zhu obtained a bachelor's degree in Arts and Design from Guangzhou Academy of Fine Arts (廣州美術學院) in July 2003.

COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

Mr. Wan Hon Keung (温漢強), aged 56, joined our Group in September 2015 and was appointed as the Company Secretary and the Chief Financial Officer of our Company on 5 March 2016. Mr. Wan is primarily responsible for overseeing corporate finance, investor relations and financial management of our Group. He has over 30 years' experience in commercial accounting, administration and corporate governance. Mr. Wan was admitted as an associate member of the Hong Kong Institute of Certified Public Accountants, formerly, known as Hong Kong Society of Accountants, in June 1997. Mr. Wan was also admitted as a fellow of The Association of Chartered Certified Accountants in May 2002.

The Directors are pleased to present their report and the audited consolidated financial statements for the year ended 31 December 2017.

CORPORATE REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 3 November 2015.

In preparing for the Listing, the Group underwent the group reorganisation and the Company became the holding company of the companies comprising the Group upon the completion of the group reorganisation on 20 June 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the manufacturing and sales of inflatable products and related accessories. There were no significant changes in the nature of the Group's principal activities during the Year.

An analysis of the Group's revenue for the year by geographical location is set out in note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the Year and the financial position of the Group at that date are set out in the consolidated financial statements on pages 53 to 54.

During the Year and before the Listing, a dividend of HK$7,000,000 was distributed by Silver Bliss Holdings Limited, the wholly-owned subsidiary of the Company, to its then shareholders as described in the Prospectus.

The Board does not recommend the payment of any final dividend for the Year.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last four financial years, as set out on page 100 in this annual report are extracted from this annual report and the Prospectus.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 21 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 55 of this Annual Report and note 29 to the consolidated financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales	
– the largest customer	13.8%
– five largest customers in aggregate	46.4%
Purchases	
– the largest supplier	35.9%
– five largest suppliers in aggregate	74.8%

None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in these major customers or suppliers.

RELATED PARTY TRANSACTION

Save as disclosed in note 28 to the consolidated financial statements, no related party transactions were conducted by the Group during the Year.

As the shares were listed on GEM since the date of Listing, no connected transaction under Chapter 20 of the GEM Listing Rules were conducted during the Year.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution to the shareholders, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to approximately RMB36.2 million.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 15 November 2017 (the "Scheme") pursuant to the written resolution of the shareholders of the Company on 15 November 2017 for the purpose of providing additional incentives eligible participants for their contribution to the Group and/or enabling the Group to attract and retain best available personnel that are valuable to the Group.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

The summary of the principal terms of the Scheme are as follows:

1.	Purpose of the Scheme	Provide additional incentive to eligible participants for attracting and retaining the best available personnel, to promote the success of the business of our Group.
2.	Eligible participants	Any eligible employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group.
3.	Total number of shares available for issue under the Scheme and percentage to the issued share capital as at the date of this report	80,000,000 shares (equivalent to 10% of total issued share capital as at the date of this annual report).
4.	Maximum entitlement of each participant	Not exceeding 1% of the issued share capital of the Company for the time being in any 12 month period. Any further grant of share option in excess of such limit must be separately approved by Company's shareholders in general meeting.

5.	The period within which the shares must be taken up under an option	A period (which may not expire later than 10 years from the date of offer of that option) to be determined and notified by Directors to the grantee thereof.
6.	The minimum period for which an option must be held before it can be exercised	Unless otherwise determined by the Directors, there is no minimum period required under the Scheme for the holding of an option before it can be exercised.
7.	The amount payable on application or acceptance of the option	An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK$1.
8.	The basis of determining the exercise price	Being determined by the Directors and being not less than the highest of: (a) the closing price of shares of the Company as stated in the Stock Exchange's daily quotation sheet on the offer date; (b) the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five business days immediately proceeding the offer date; and (c) the nominal value of the share on the offer date.
9.	The remaining life of the Scheme	The Scheme is valid and effective for a period of 10 years commencing on 15 November 2017 (being the date of adoption of the Scheme).

No share option has been granted under the Scheme since its adoption and up to the date of this report.

DIRECTORS

The directors of the Company (the "Directors") during the year and up to the date of this report were as follows:

Executive Directors
Mr. Huang Xiaodong *(Chairman)*
Mr. Xiao Jiansheng *(Chief Executive Officer)*

Non-executive Director
Mr. Lee Kin Kee

Independent non-executive Directors
Mr. Mao Guohua
Mr. Gan Minqing
Mr. Chu Wai Wa Fangus

In accordance with our articles of association, at each annual general meeting one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of our Directors has entered into a service contract or an appointment letter (as the case may be) with our Company for an initial fixed term of three years commencing on the Listing Date which may only be terminated in accordance with the provisions of the service contract or the appointment letter (as the case may be) or by (i) our Company giving to any Director not less than three months' prior notice in writing or (ii) by any Director giving to our Company not less than three month's prior notice in writing.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company, its holding companies, subsidiaries or fellow subsidiaries was a party and in which any director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

The Board is not aware of any contract during the year ended 31 December 2017 entered into with the management and administration of the whole or any substantial part of the business of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the paragraph headed "Interests of Directors and Chief executive in the shares, underlying shares and debentures of the Company and its associated corporations" below and the share option scheme disclosures in note 23 to the consolidated financial statements, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 14 to 16 of this report.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Scheme", no equity-linked agreements were entered into by the Company at any time during the year ended 31 December 2017 or subsisted at the end of the year.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the directors of the Company and the five highest paid individuals of the Group are set out in notes 10 and 11 to the consolidated financial statements, respectively.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORTIONS

As at 31 December 2017, the interests of the Directors and chief executive of the Company (the "Chief Executive") in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules (the "Required Standard of Dealings") or Rule 23.07 of the GEM Listing Rules are as follows:

Long position in ordinary shares of the Company

Name of Director/ Chief Executive	Capacity/Nature of interest	Number of underlying Shares	Percentage of shareholding *(Note 2)*
Mr. Lee Kin Kee *(Note 1)*	Interest in a controlled corporation	172,244,000	21.53%

Notes:

(1) Mr. Lee Kin Kee ("Mr. Kevin Lee") beneficially owns the entire issued share capital of Blink Wishes Limited. Therefore, Mr. Kevin Lee is deemed, or taken to be, interested in all the Shares held by Blink Wishes Limited for the purpose of the SFO.

(2) The percentage is calculated on the basis of 800,000,000 shares in issue as at the date of this report.

Save as disclosed above, as at 31 December 2017, none of the Directors or the Chief Executive or their respective associates had any interests in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Required Standard of Dealings.

INTERESTS OF SUBSTANTIAL AND OTHER SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2017, so far as is known to the Directors and the Chief Executive and based on the public records filed on the website of the Stock Exchange and records kept by the Company, the interests of the persons or corporations (other than the Directors and the Chief Executive) in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name	Capacity/Nature of interest	Number of underlying Shares	Percentage of shareholding *(Note 4)*
Nonton Limited	Beneficial owner	427,756,000	53.47%
Mr. Lee King Sun *(Note 1)*	Interest in a controlled corporation	427,756,000	53.47%
Ms. Chak Lai Hung Theresa *(Note 2)*	Interest of spouse	427,756,000	53.47%
Blink Wishes Limited	Beneficial owner	172,244,000	21.53%
Ms. Law Siu Ling *(Note 3)*	Interest of spouse	172,244,000	21.53%

Notes:

(1) Mr. Lee King Sun ("Mr. Lee") beneficially owns the entire issued share capital of Nonton Limited. Therefore, Mr. Lee is deemed, or taken to be, interested in all the Shares held by Nonton Limited for the purpose of the SFO.

(2) Ms. Chak Lai Hung Theresa ("Ms. Chak") is the spouse of Mr. Lee. Under the SFO, Ms. Chak is deemed to be interested in the same number of Shares held by Mr. Lee is interested.

(3) Ms. Law Siu Ling ("Ms. Law") is the spouse of Mr. Kevin Lee. Under the SFO, Ms. Law is deemed to be interested in the same number of Shares held by Mr. Kevin Lee is interested.

(4) The percentage is calculated on the basis of 800,000,000 shares in issue as at the date of this report.

Save as disclosed above, as at 31 December 2017, there was no person or corporation (other than the Directors and the Chief Executive) who had any interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

COMPETING AND CONFLICT OF INTERESTS

The Directors, the controlling shareholders and their respective close associates do not have any interest in a business apart from our business which competes and is likely to compete, directly or indirectly, with our business.

DEED OF NON-COMPETITION

On 15 November 2017, Mr. Lee King Sun and Nonton Limited (each a "Covenantor" and collectively the "Covenantors") entered into a deed of non-competition (the "Deed of Non-Competition") in favour of the Company (for itself and for the benefit of each other member of our Group). Pursuant to the Deed of Non-Competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that during the period that the Deed of Non-Competition remains effectly, he/it shall not and shall procure that his/its associates (other than any member of our Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of our Group.

During the year, the Covenantors have confirmed in writing to the Company of their compliance with the Deed of Non-Competition, and the independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied by each of the Controlling Shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities since the date of Listing.

INTERESTS OF THE COMPLIANCE ADVISOR

As at 31 December 2017, as notified by the Company's compliance advisor, Frontpage Capital Limited (the "Compliance Advisor"), except for the compliance advisor agreement entered into between the Company and the Compliance Advisor, neither the company advisor nor its directors, employees or close associates has any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on 27 April 2018 (the "AGM").

In order to establish entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 24 April 2018 to Friday, 27 April 2018, both days inclusive, during which period no transfer of the shares of the Company will be registered. Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 23 April 2018.

USE OF PROCEEDS FROM LISTING

The net proceeds from the Listing (after deducting the related underwriting fees, professional service fees and issuance expenses) amounted to approximately HK$20.7 million of which suggested purposes as set out in the section headed "Business Objectives and Future Plans" of the Prospectus.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 December 2017 and up to the date of this report.

DONATIONS

Charitable donations made by the Group during the year ended 31 December 2017 amounted to RMB50,000 (2016: RMB100,000).

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 26 to 34 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the GEM Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors in writing and annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

INDEPENDENT AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by HLB Hodgson Impey Cheng Limited. A resolution will be proposed at the forthcoming Annual General Meeting of the Company to re-appoint HLB Hodgson Impey Cheng Limited as the auditors of the Company.

On behalf of the Board

Mr. Huang Xiaodong
Chairman and Executive Director

Hong Kong, 23 March 2018

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Board considers that good corporate governance of the Company is central to safeguarding the interests of the shareholders and enhancing the performance of the Group. The board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, The Company has complied with the Code from the date of Listing and up to the date of annual report.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

BOARD OF DIRECTORS

Compositions and Responsibilities

The board of directors of the Company comprises:

Executive Directors

Mr. Huang Xiaodong *(Chairman)*	(Appointed on 3 November 2015 and re-designated as the Chairman of the Board and Executive Director on 5 March 2016)
Mr. Xiao Jiansheng *(Chief Executive Officer)*	(Appointed on 1 February 2016 and re-designated as the Chief Executive Officer and Executive Director on 5 March 2016)

Non-executive Director

Mr. Lee Kin Kee	(Appointed on 5 March 2016)

Independent non-executive Directors

Mr. Mao Guohua	(Appointed on 20 June 2017)
Mr. Gan Minqing	(Appointed on 20 June 2017)
Mr. Chu Wai Wa Fangus	(Appointed on 20 June 2017)

In compliance with rule 5.05A, 5.05(1) and 5.05(2) of the GEM Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such directors to be independent in accordance with each and the various guidelines set out in rule 5.09 of the GEM Listing Rules.

The principal focus of the board is on the overall strategic development of the Group. The board also monitors the financial performance and the internal controls of the Group's business operations. With a wide range of expertise and a balance of skills, the non-executive directors bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the executive Director(s) and senior management. The Board also assumes the responsibilities of maintaining high standard of corporate governance, including, among others, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of Directors and senior management, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's compliance with the Code and the disclosures in this annual report. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee (as defined under the paragraph headed "Board Committees").

The biographical details of the Directors and other senior management are set out in the section headed with "Biographical Details of the Directors and Senior Management" from pages 14 to 16 of this annual report. Save as disclosed in the section "Biographical Details of the Directors and Senior Management" in this annual report, each of the Board members has no financial, business, family or other material or relevant relationships with each other.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out in paragraph D.3.1 of the Code, which include the following:

1. to develop and review the policies and practices on corporate governance of the Group and make recommendations;

2. to review and monitor the training and continuous professional development of the Directors and senior management;

3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and

5. to review the Company's compliance with the Code and disclosure in the corporate governance report of the Company.

APPOINTMENT AND RE-ELECTION

Each of our executive Directors has entered into a service contract with our Company and we have issued letters of appointment to each of our independent non-executive Directors. The service contracts with our executive Directors are for an initial term of three years commencing from the date of Listing. The letters of appointment with our non-executive Director and each of our independent non-executive Directors are for an initial fixed term of three years commencing from 7 December 2017. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our articles of association and the applicable GEM Listing Rules.

According to our articles of association, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by shareholders of the Company.

Each of Mr. Huang Xiaodong, Mr. Xiao Jiansheng, Mr. Lee Kin Kee, Mr. Mao Guohua, Mr. Gan Minqing and Mr. Chu Wai Wa Fangus will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on 27 April 2018 pursuant to article 108 of our articles of association. Mr. Huang Xiaodong, Mr. Xiao Jiansheng, Mr. Lee Kin Kee, Mr. Mao Guohua, Mr. Gan Minqing and Mr. Chu Wai Wa Fangus, being eligible, will offer themselves for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed election of Mr. Huang Xiaodong and Mr. Xiao Jiansheng as executive Directors, Mr. Lee Kin Kee as non-executive director, Mr. Mao Guohua, Mr. Gan Minqing and Mr. Chu Wai Wa Fangus as independent non-executive Directors, all for a term commencing from the date of the annual general meeting which approves their appointments and ending at the conclusion of the third subsequent annual general meeting of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer are separate and not performed by the same individual to avoid power being concentrated in any one individual. Mr. Huang Xiaodong was the Chairman of the board throughout the year. Mr. Xiao Jiansheng is our Chief Executive Officer of the Company.

CONTINUOUS PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. All the Directors have received training hosted by the Company's legal advisor which was about, inter alias, the listing rules, Companies Ordinance and Securities and Futures Ordinance.

All the Directors also understand the importance of continuous professional development and are committed to participate any suitable training to develop and refresh their knowledge and skills.

BOARD COMMITTEES

The Board has established three board committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the GEM's website "www.hkgem.com" and the Company's website at "www.alpha-era.co". All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the board meetings set out below.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

The Board is responsible for performing the corporate governance duties set out in the Code which included developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the Code and disclosures in this report.

Audit Committee

The Audit Committee was established on 20 June 2017. The chairman of the Audit Committee is Mr. Chu Wai Wa, Fangus our independent non-executive Director, and other members include Mr. Mao Guohua and Mr. Gan Minqing, our independent non-executive Directors. The written terms of reference of the Audit Committee are in compliance with paragraphs C.3.3 and C.3.7 of the Code and posted on the GEM website and on the Company's website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Audit Committee meeting has not held any meeting during the year. Subsequent to the end of the Year and up to the date of this report, the first meeting of the Audit Committee was held on 23 March 2018.

The Group's consolidated financial statements for the year ended 31 December 2017 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2017 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

Remuneration Committee

The Remuneration Committee was established on 20 June 2017. The chairman of the Remuneration Committee is Mr. Gan Minqing, our independent non-executive Director, and other members include Mr. Mao Guohua and Mr. Chu Wai Wa Fangus, our independent non-executive Directors, Mr. Xiao Jiansheng, our chief executive officer and executive Director. The written terms of reference of the Remuneration Committee are in compliance with paragraph B.1.2 of the Code and posted on the GEM website and the Company's website.

The primary duties of the Remuneration Committee are, amongst other things, to make recommendations to our Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and on our Group's policy and structure for all remuneration of our Directors and senior management.

The Remuneration Committee has not held any meeting during the year. Subsequent to the end of the Year and up to the date of this report, the first meeting of the Remuneration Committee was held on 23 March 2018.

Nomination Committee

The Nomination Committee was established on 20 June 2017. The chairman of the Nomination Committee is Mr. Mao Guohua, our independent non-executive Director, and other members include Mr. Gan Minqing and Mr. Chu Wai Wa Fangus, our independent non-executive Directors, Mr. Xiao Jiansheng, our chief executive officer and executive Director. The written terms of reference of the Nomination Committee are in compliance with paragraph A.5.2 of the Code and posted on the GEM website and on the Company's website.

The Nomination Committee is mainly responsible for making recommendations to our Board on appointment of Directors and succession planning for our Directors.

The Nomination Committee has not held any meeting during the year. Subsequent to the end of the Year and up to the date of this report, the first meeting of the Nomination Meeting was held on 23 March 2018.

BOARD MEETING, GENERAL MEETING AND PROCEDURES

Since the date of Listing up to 31 December 2017, no Board meeting was held. The forthcoming annual general meeting which will be held on 27 April 2018 is the first general meeting of the Company since the date of Listing.

COMPANY SECRETARY

During the year, the company secretary of the Company (the "Company Secretary") is an employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary complied with the relevant requirement under Rule 5.15 of the GEM Listing Rules.

AUDITORS' REMUNERATION

The amount of fees charged by the external auditors generally depends on the scope and volume of the external auditors' work performed. For the Year, the remuneration paid or payable to the external auditors of the Company in respect of the statutory audit services and non-audit services for the Group are as follows:

	Fee paid/payable for the services rendered RMB'000
Statutory audit services	478
Non-audit services for acting as reporting accountants for the Listing	1,102

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard shareholder investments and the assets of the Group. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board has conducted a review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management functions. The Directors consider that the Group has implemented appropriate procedures safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

A review on the internal control systems of the Company, including financial, operational and compliance controls and risk management functions has been carried out by an independent consultancy company with staff in possession of relevant expertise to conduct an independent review.

The Company's audit committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the year ended 31 December 2017 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the audit committee and concurred the same.

Our Group has yet to establish its internal audit function during the year ended 31 December 2017 as required under Code Provision C.2.5. The audit committee and the Board, has considered the internal control review report prepared by an independent consultancy company to form the basis to review the adequacy and effectiveness of our Group's risk management and internal control systems. The audit committee and the Board will continue to review the need for an internal audit function on an annual basis.

There is currently no internal audit function within the Group. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. Nevertheless, the Directors will continue to review at least annually the need for an internal audit function.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company since the date of Listing.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

In designing the Board composition, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service. The Board will review such objectives from time to time to ensure their appropriateness and the progress made towards those objectives. The Company will also take into consideration its own specific needs from time to time in determining the optimum composition of the Board.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2017, as far as the Board and management are aware, there was no material breach of non-compliance with the applicable laws and regulations by our Group that has a significant impact on the businesses and operations of our Group.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONSHIP

The Company has adopted shareholders communication policy with objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with the shareholders as follows:

(i) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued printed form and are available on the GEM website and the Company's website;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website; and

(iv) the Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquires to the board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

SHAREHOLDERS' RIGHTS

In order to enhance minority shareholders' rights, all resolutions put to votes by shareholders at general meetings were passed by poll. The poll results will be published on the websites of the Company and the Stock Exchange on the same date of the meetings. The Company's corporate communications including interim and annual reports, announcements and circulars as required under the Listing Rules are published on the websites of the Company and the Stock Exchange.

Extraordinary general meeting may be convened by the board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "Requisitionists") (as the case may be) pursuant to Article 64 of the articles of association. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. Shareholders may put forward proposals with general meeting of the Company by sending the same to the Company at the principal office of the Company in Hong Kong. For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company.

Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements and to ensure that the consolidated financial statements of the Group are prepared in a manner which reflects the true and fair view of the financial position, financial performance and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules. The Directors are of the view that the consolidated financial statements of the Group for the Year has been prepared on this basis.

To the best knowledge of the Directors, there is no uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements. The Company's external auditors' responsibilities in respect of the consolidated financial statements is set out in the Independent Auditors' Report on pages 49 to 52 of this report.

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the Year, there is no significant change in the Company's memorandum and articles of association.

ABOUT ALPHA ERA

Alpha Era International Holdings Limited and its subsidiaries (collectively "the Group") are specialised in launching, developing and manufacturing new and marketable inflatable playgrounds. The Group has over ten years of experience in design, manufacture, sales high quality inflatable bounce house products and other inflatable products.

Our Group operates through three subsidiaries, Swiftech International Limited, Swiftech Company Limited and Zhongshan Runhe Macromolecular Materials Manufacture Limited. Each of the business units engages in different roles and responsibilities to meet various customer needs. The Group structure is as follow:

Alpha Era International Holdings Limited

Silver Bliss Holdings Limited

Swiftech International Limited

- Provide a corporate arm to the Group's trading
- Solely deal with foreign customers

Swiftech Company Limited

- Principally engaged in the manufacturing of inflatable products
- Mainly deal with PRC customers
- Act as the supplier for Swiftech International Limited

Zhongshan Runhe Macromolecular Materials Manufacture Limited

- Principally engaged in the manufacturing of PVC coating, PVC laminated oxford and plastic products
- Mainly deal with PRC customers
- Act as the supplier for Swiftech Company Limited

ABOUT THE REPORT

This report is the first "Environmental, Social and Governance Report" (collectively "the Report") published by the Group, which discloses the Group's measures and performance on sustainable development topics in a transparent and open manner, in order to increase stakeholders' confidence and understanding on the Group.

REPORTING YEAR

All the information in the Report reflects the performance of the Group in environmental management and social responsibility from 1 January 2017 to 31 December 2017 (the "Reporting Period"). In the future, the Group will release an Environment, Social and Governance Report annually for public review, in order to improve the transparency and responsibility of information disclosure.

REPORTING SCOPE

The Report focuses on production of new and marketable inflatable playgrounds and inflatable products in China, which is operated by the Group. After the comprehensive completion of data collection system and the Group's deepening in its environmental, social and governance work, the Group is able to disclose various environmental and health and safety Key Performance Indicators (KPIs) for all the factories operated during the reporting period.

REPORTING STANDARDS

The Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" ("ESG Guide") of the Stock Exchange set out in Appendix 20 of the Listing Rules. The Report provides a simplified overview on the environmental, social and governance performance of the Group. The information in the Report is derived from the Group's official documents and statistics, as well as the integration and summary of monitoring, management and operational information provided by subsidiaries of the Group.

STAKEHOLDER ENGAGEMENT

The HKEX has set forth four principles for reporting in the ESG Guide: Materiality, Quantitative, Balance and Consistency, which should form the basis for preparing the Environmental, Social and Governance Report. As the HKEX emphasizes, stakeholder engagement is the method by which materiality is assessed. Through stakeholder engagement, companies can understand wide-ranging views and identify material environmental and social issues.

For the Group, stakeholders refer to groups and individuals materially influencing or affected by the Group's business. The Group's stakeholders include employees, management and directors, as well as external stakeholders such as clients, business partners, investors, regulatory authorities and various types of community groups. In the past year, we communicated with the key stakeholders through a variety of methods. While preparing the report, we commissioned a professional consultancy firm to conduct the materiality analysis in the form of management interview. With expert advice, we identified the material aspects for this report and these will in turn guide the formulation of the Group's sustainability roadmap.

Internal stakeholders	External stakeholders
New staff	Shareholders
All current staff	Investors
Line management	Bank
Senior management	Customers
Board of Directors and senior management	Sub-contractors and suppliers

Engagement methods

Newcomer orientation, email, mail, telephone, direct communication, interviews, meetings, annual general meetings, annual meetings, training sessions and performance reviews, group websites, annual report, financial statements, announcements

The business of the Group affects different stakeholders, and stakeholders have different expectations on the Group. The Group will maintain communication with stakeholders continuously, collect opinions of stakeholders through different forms and more extensively, and make substantive analysis more comprehensively. At the same time, the Group will enhance the reporting principles of quantification, balance and consistency, in order to define content of the Report and presentation of the information that is more in line with the expectations of stakeholders.

ENVIRONMENT PROTECTION

Emissions

Emissions from the course of production

Major emissions from manufacturing factories are air pollutants, sewage, noise and waste. The Group manages these emissions and is committed to seeking practical means to reduce their impact on the environment.

To deal with the air pollutants produced from the boiler, the Group has a strict control on the emissions of various kinds of pollutants due to the fuel consumed in the course of production; for instance, the sulfur dioxide, nitrogen oxide, smoke dust and the blackness of the smoke. Regular inspection has been performed by an external professional assessment company to inspect the degree of the pollutants generated. According to the inspection results, the Group has complied with Emission Standard of Air Pollutants for Coal-burning Oil-burning gas-fired boiler (DB44/765-2010) and passed the national standards including the followings: i) Determination of surplus dioxide from exhausted gas of stationary source fixed potential electrolysis method (HJ/T 57-2000); ii) Determination of nitrogen oxides in a fixed pollutant source by constant potential electrolysis method (HJ 693-2014); and iii) Determination of particulate matter in exhaust gas and sampling method of gaseous pollutants in a fixed source of pollution (GB/T 16157-1996).

Besides, the Group has also assigned another external professional assessment company to perform inspection on the degree of exhaust gas generated from oil injection into the inflatable playgrounds. The exhaust gas like benzene, toluene and xylene are checked against the National Standard Air Pollutant Release Standard (DB44/27-2001) and passed another two national standards i) Analysis of Air and Exhaust Gas-the method of thermal desorption gas chromatography and ii) Stationary source emission – Determination of nonmethane hydrocarbons – Gas chromatography (HJ/T 38-1999).

Emissions from vehicle usage

During our operation, the usage of private cars and light good vehicles generate the emission of nitrogen oxides and particular matters. The approximate amount of nitrogen oxides (NO_x), Sulphur oxides (SO_x) and particular matters produced from our operation in China regions are shown in the table below:

Environmental Key Performance Indicators

Types of Cars	Number of Cars
Private Cars	3
Light Good Vehicles	6

Air Emission	Volume (Tonnes)
CO_2 – generated from the use of electricity in production	1,672
NO_x	0.15
SO_x	0.0004
Particulate	0.01

In respect of reducing the nitrogen oxides, sulphur oxides and particular matters emissions, the Group is committed to reduce and ensure the efficient usage of private cars and light good vehicles. The Group has implemented the following measures so as to achieve the environmental friendly approach; i) Avoid peak hour traffic; ii) Encourage the use of public transport; iii) Encourage the use of bicycle; and iv) Utilize the vehicle usage by car pooling with different staff.

During the Reporting Period, we were not aware of any material non-compliance with the environmental laws and regulations in respect of both emissions from the course of production and vehicle usage.

Sewage discharge

Stable water supply is crucial to the Group's operation in Zhongshan's factory where the Group currently sources water from the local government. The Group provides accommodation to staff and therefore the discharge comprises of the waste water and drinking water for living. The Group has a strict control to the emissions of sewage. Regular inspection has been performed by an external professional assessment company to check against various standard. For example the Standard examination methods for drinking water-Organoleptic and physical parameters (GB/T 5750.4-2006), and Technical Specifications Requirements for Monitoring of Surface Water and Waste Water (HJ/T 91-2002).

The licensed third party concluded the result is satisfactory that the Group complies with the standard for drinking water quality (GB 5749-2006) and discharge limits of water pollutants (DB44/26-2001).

Besides, another source of sewage discharge by the Group is the water used in the production processes of producing the inflatable products. It is the hazardous waste water which is harmful to the environment. To deal with it, the Group has engaged a government authorised service company to collect those waste water and perform the water purification. For example, the process of screening, grit removal and sedimentation. In terms of waste water recycling, the Group is continuously looking possible way to enhance recycling of waste water in the future.

Noise pollution

It is inevitable that the production process of the Group producing noise pollution to the community around. According to the annual inspection from the licensed third party, the noise level of the Group at daytime and mid-night had maintained at a reasonable level. Such results concluded that the Group has complied with Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008).

The Group is always aware of its noise pollution to the community around as well as the health condition of our workers. The Group is always listening to the voice and committing to maintain communication with the community nearby about the noise issue. Health and safety gears are also replaced from time to time in order to protect the working condition of our workers.

Hazardous solid waste emission

For the process of producing inflatable products, different types of hazardous solid waste is generated. The Group's production process involved the following hazardous solid waste emissions figures:

Environmental Key Performance Indicators

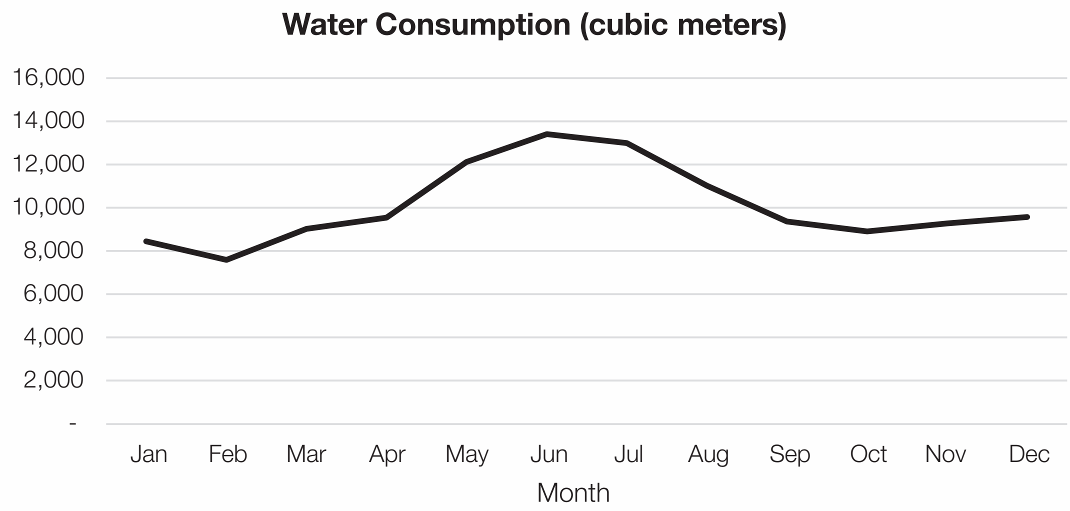
Hazardous waste	Volume (Tonnes)
Waste lamp	0.0075
Waste of packaging bucket	0.12
Waste of screen printing	0.02
Used cleaning cloth from production	0.1
Used battery	0.01
Used active charcoal	0.03
Used photographic plastic	0.02

The Group is dedicated to proper management of the hazardous solid waste. Specific area is assigned for the temporary storage of hazardous waste for safety purpose. Licensed third party is engaged for the collection of the waste for recycle and reuse purpose.

Use of Resources

The Group adheres to the concept of energy conservation and emission reduction for green production. The major resources used by the Group are principally attributed to electricity and water consumed in Zhongshan's factory and Hong Kong's headquarter; We aim to improve our energy utilisation efficiency to achieve low-carbon practices and emission reduction throughout our production and operation, and strive to save the resources.

The Group records and analyses the monthly consumption rate of water regularly. After identifying the causes of high rates of water consumption, the Group will take remedial action to minimize water use. From the graph below, it shows the monthly water consumption in cubic meters of the Group:

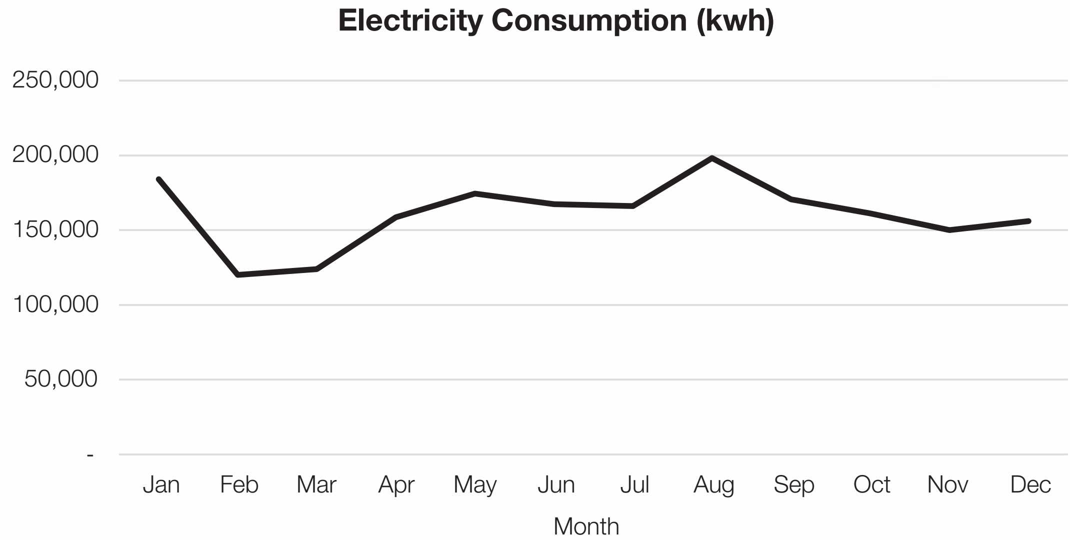


The total water consumption in cubic meters by region is shown in the table below:

Region	Water consumption (cubic metres)
Hong Kong	9
China	121,270
Total	121,279

The Group determines to maximise energy conservation in its office by promoting efficient use of power and adopting green technologies. For instance, the Group continues to upgrade equipment such as purchasing electrical appliances with high efficient energy label, lighting and air-conditioning systems in order to increase energy efficiency. Air-conditioning systems can be adjusted to a specific temperature, which allows the users to set at a comfortable temperature and avoid power waste.

To identify energy saving opportunities, the Group measures and records the energy consumption level from time to time. The monthly electricity consumption in kilowatt hour (Kwh) is shown below:



The total electricity consumption in kwh by region is shown in the table below:

Region	Electricity consumption (kwh)
Hong Kong	11,891
China	1,919,283
Total	1,931,174

The Environment and Natural Resources

With respect to raw materials usage, plasticisers were the main raw materials used to soften the PVC to make it elastic, flexible and bendable. Many studies have been conducted to evaluate plasticisers' effects on humans and on the environment. It is concluded by the Member States Committee of European Chemicals Agency (ECHA) that some elements of plasticisers are the endocrine disruptor that cause adverse endocrine effects in fish and other aquatic organisms.

Therefore, the Group has changed to use another raw material, the polyethylene terephthalate (PET). It is an eco-friendly plasticiser which is easy to reprocess, and readily breaks down into its basic monomers. Recycled PET can be used in a number of different things, including polyester fibers for carpeting, parts for cars, fiberfill for coats and sleeping bags, shoes, luggage, t-shirts, and more. Moreover, according to a study by scientists at the University of Pittsburgh examined the environmental consequences of biopolymer production, PET is also ranked last in terms of negative impact based on such factors as biodegradability, per cent recycled, mass from renewable sources, life cycle health hazards and life cycle energy use.

In conclusion, the Group's put its initiative in reducing the adverse impact to the environment by using a widely-recognised eco-friendly plasticiser.

To develop a green approach at the factory and offices, we have developed the following measures for our daily operation so as to minimise the impact brought to the environmental and natural resources consumption.

Factory machine and office equipment

- Switch off computers, printers, machines and other electronic devices after office hours or when leaving the workplace to reduce power consumption
- Affix save energy posters near the main switches in order to remind our employees of energy saving
- The last-man-out is dedicated to check and turn off all machines and equipment

Lighting

- Switch off non-essential lighting if there are only few people working in the office or factory
- After office hours or during lunch time of business days, only turning on light for areas essential for safety and security purpose
- The last-man-out is dedicated to check and turn off all lighting of the factory and offices

Other practice

- Encourage duplex printing, reuse of single-side used paper
- Refill instead of new pen when used up

As a socially responsible enterprise, protecting nature and the environment has become our inescapable social responsibility, the Group constantly looks for ways to maximise benefits with minimal resource consumption and environmental impact, and continue to strive for sustainable development.

The Group has set up an environmental system management task force as part of its effort to develop an environmental management system that supports sustainable development, and has obtained ISO14001 certification for environmental management systems.

By the implementation of ISO14001 Environmental Management System, the Group has given careful consideration to minimise all significant impact on the environment resources.

PEOPLE

Employment

The Group reckons that employees are the most valuable assets of an enterprise and also the cornerstone for sustaining corporate development. It is always the Group's initiative to provide a fair and competitive compensation package to attract and retain quality talents, in the form of a basic salary, incentives bonus, mandatory provident fund, and other fringe benefits. Remuneration packages are reviewed periodically. The Group also has a set of comprehensive human resources management policy to support human resources function. The policies include compensation and dismissal, recruitment and promotion, working hours, appraisal, training and benefits.

Although the Group's main business is located in China, which is a patriarchal society, the Group aims to refrain from any form of harassment and discrimination with respect to age, gender, race, nationality, religion, marital status or disability in the workplace. Hence, the ratio of number of male to female employees and ratio of salaries of male to female employees show that the problem of gender inequality is not existed.

The Group has always strictly observed the relevant legislations in the PRC and Hong Kong regarding the equal employment opportunities, child labour and forced labour. The Group abides by the employment regulations, relevant policies and guidance of the relevant jurisdictions where it operates, including the "Employment Ordinance", the "Employees' Compensation Ordinance" in Hong Kong; and the "Labour Law of the People's Republic of China" and the "Labour Contract Law of the People's Republic of China" in the PRC.

The Group has its internal procedure to report employees' information regularly in order to review employment practices so as to avoid any non-compliance. Furthermore, the Group strictly complies with the internal recruitment process during recruitment to ensure no employment of child labour and forced labour in any form. The Group also strives to establish harmonious labour relationships. We protect the rights of staff in terms of providing rest and leave days according to relevant government laws and regulations. Therefore, the percentage of new recruits to total number of employees and ratio of employee turnover to total number of employees are maintained at a low level generally.

During the year, the Group was not aware of any material non-compliance with relevant standards, rules and regulations regarding operations and activities, labour practices.

Employment Key Performance Indicators (Employee)

Number of employees

Gender	Age below 30	Age 30-50	Age over 50	Number of employees by gender	Total number of employees	Ratio of number of male to female employees	Ratio of salaries of male to female employees
Male	98	196	43	337	746	0.8:1	0.9:1
Female	107	252	50	409			

Employee recruit

Gender	Age below 30	Age 30-50	Age over 50	Number of new recruits by gender	Total number of new recruits	Percentage of new recruits to total number of employees
Male	65	45	7	117	247	33%
Female	44	75	11	130		

Employee turnover

Gender	Age below 30	Age 30-50	Age over 50	Staff turnover by gender	Total staff turnover	Ratio of employee turnover to total number of employees
Male	52	55	5	112	232	31%
Female	45	68	7	120		

Health and Safety

The Group is an investment holding company located in Hong Kong and the nature of the daily operation is mainly office-based where the safety risk is limited. The Group has equipped its office with suitable fire-fighting facilities like fire extinguishers.

The Group's subsidiaries in Zhongshan engages in manufacturing of PVC coating, PVC laminated oxford, plastic products and inflatable products. The Group strongly believes that ensuring stable and safety production is the most important social responsibility to its shareholders, employees and the community where it situates. Therefore, the Group has always regarded ensuring safety and stable production as one of the priorities in corporate management. Sound management systems have been established in occupational health and safety in strict compliance with the regulations on occupational health and safety the PRC.

The Zhongshan factory of the Group had obtained Quality Management System Certification (ISO9001) and Environmental Management System Certification (ISO14001) formulated by the International Organisation for Standardisation ("ISO") and they were certified. The Group strictly requires employees to comply with the safety policy and guidelines from ISO14001.

Daily operations are inspected by relevant department assigned by the Group, against the established risk assessment program that consists of a number of sequential steps such as risk identification, analysis, evaluation, treatment, monitoring and reviewing based on the existing controls and recommendations to reduce those risks which are not deemed to be under acceptable limits. Any non-compliance will also be identified and rectified on a timely basis.

Thus, it is a proof of guaranteeing the establishment of a healthy, safe and stable working environment effectively.

Every case of injury (if any) is required to be reported to the Group and be assessed individually under the internal guideline procedures. The Group is pleased to report that the rate of accidents and injuries during the reporting period was extremely low with zero fatal accident.

During the Reporting Period, the Group was not aware of any material non-compliance with the health and safety laws and regulations.

Health and Safety Key Performance Indicators (Employee)

Number of work injuries	Rate of work injury (per thousand employees)
12	0.012

Development and Trainings

The Group recognises the importance of skilled and professionally trained employees to its business growth and future success. Therefore, the Group encourages them to participate in job-related training and courses. During the year, we formulate quality management and environment management training programs to update our staff with the most updated standard of ISO9001 and ISO14001, in order to maintain the highest standard of professionalism by our employees. These two programs include quality assurance training in production process, inspection assurance of materials received from supplier, health and safety precautions in using production equipment and machinery as well as customer relationship management.

In daily operation, the Group provides induction training for new employees and experienced employees act as mentors to guide new comers. We believe such arrangement can be the best practice to facilitate communication and team spirit, also improve technical skills and managerial capability and encourage the learning and further development of employees at all levels.

The Group will continue to intensify its efforts to promote staff training programs which we believe that by means of offering comprehensive training opportunities, it could help providing the necessary protection for talent reserves for corporate development. The Group annually evaluates the training needs of its employees to ensure that employees are offered with suitable and appropriate training according to their job nature and position.

Training and Development Key Performance Indicators (Employee)

Trained staff	Senior managerial level	Managerial level	General staff	Percentage of employees receiving training by gender	Overall percentage of employees receiving training
Male	58%	49%	31%	37%	29%
Female	58%	27%	21%	24%	

Average training hours	Senior managerial level	Managerial level	General staff	Average training hours by gender	Overall average training hour
Male	1.3 hours	1.4 hours	1.5 hours	1.4 hours	1.3 hours
Female	1.2 hours	1.3 hours	1.1 hours	1.2 hours	

Labour Standards

The Group always respects and strictly complies with all applicable national laws and local regulations as well as relevant labour laws and regulations in the place where it operates, including the Policy of Employment of Children under the Employment Ordinance in Hong Kong. We have also developed rigorous and systematic measures for approval and selection, to prevent ourselves from illegally hiring child labour and ensure that the employment is in compliance with relevant laws and regulations.

The Group arranges the employees' working hours based on the statutory working hour standards and allows them to entitle paid leaves and sick leaves in accordance with labour laws.

During the Reporting Period, the Group was not aware of any material non-compliance with the labour requirements set out in relevant laws and regulations.

Supply Chain Management

Air blowers, PVC cloth and PVC laminated oxford are the major materials used by the Group's Zhongshan factory in its fabrics processing where they are all procured in the PRC.

The Group implements supplier management in accordance with internal guidance which governs the engagement of suppliers. Suppliers are chosen subjecting to screening and evaluation procedures among the suppliers, based on the quality and price. Also, to ensure supplier capability in quality assurance, safety and environmental responsibility, field visit and investigation is conducted. The investigation reviews the production capacity, technology level, quality assurance capabilities, supply capacity, safety and environment management qualifications if needed. Only the highly qualified suppliers complied with regulatory requirements are eligible for the supplier selection by the Group. The Group also carry out regular assessment on suppliers' overall capabilities, assets position, nature of business, reputation in the industry, quality of products, goods delivery and compliance with law and regulations.

As customers are becoming more concerned about environmental issues, and stress the importance of using environmentally friendly materials. The Group will continue to act as a corporate citizen in communicating and stressing those environmental issues to our suppliers. Hence, the Group has changed to use PET as mentioned above. We aim at strengthening the cooperation with suppliers, coordinating with them in product trials, and work with them to produce socially responsible products.

Product Responsibility

The Group is committed to achieve high product and service quality by implementing stringent and comprehensive quality control procedures. We have implemented quality control manual throughout the production process from purchase of raw materials to product packaging for employee to follow. Raw materials are inspected to ensure the quality and it is in a good condition before putting into production so as to minimise possible disruptions during the operation. During the year, the number of defective products produced by the Group was minimal and complaints by customers in respect of defective products were insignificant.

Anti-corruption

The Group is committed to maintaining the integrity of its corporate culture. Staff members are not allowed to solicit or accept any advantages. The Group sets out the relevant policies in the employee handbook and guides the employees to abide by the code of conduct. The code of conduct provides a clear definition of the provision and acceptance of interests, such as gifts and souvenirs, and ways to deal with conflicts of interest.

Directors and employees are required to make a declaration to the management through the reporting channels when actual or potential conflict of interest arises. Employees cannot receive any gifts from any external parties (i.e. customers, suppliers, contractors, etc.) unless approval is obtained from the management.

The Group has whistle-blowing procedures in effect, encouraging the employees to report directly to the Company's senior management any misconduct and dishonest behavior, such as bribery, fraud and other offences. Furthermore, the Group has specified in the employees' handbook that the Group is entitled to terminate the employment contract with any employee who is bribed with money, gifts or commission, etc., and reserve the right to take further legal actions against such person.

During the Reporting Period, we have complied with the relevant laws and regulations regarding anti-corruption and money-laundering and had no concluded legal case regarding corrupt practices brought against the issuer or its employees.

Community Investment

The Group has been actively involved in charitable activities in the communities and cities where our factories are operating, and encourages the employees to participate in in-house or external community activities. The Group played a vital role in supporting the Red Cross Society of China (RCSC), a humanitarian social relief organization, through donation. RCSC is a well-developed organization that has been participated in numerous social work, including volunteering, community health & care, organizing first-aid and health training, etc.

The Group will continue to explore other means to contribute more to the environment and strive to facilitate the building of a healthy and sustainable society.

國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

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The Landmark
11 Pedder Street
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Hong Kong

TO THE SHAREHOLDERS OF ALPHA ERA INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Alpha Era International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 53 to 99, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Valuation of trade receivables	
Refer to note 17 to the consolidated financial statements. We identified the valuation of trade receivables as a key audit matter due to the use of judgement and estimations in assessing the recoverability of trade receivables. In determining the allowance for trade receivables, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the trade receivables.	Our procedures in relation to valuation on trade receivables mainly included: • Obtaining an understanding of how allowance for doubtful debts is estimated by the management and testing the aging analysis of the trade receivables to the source documents; • Reviewing the aging analysis of the trade receivables throughout the year to understand the settlement patterns by the customers; and • Assessing the reasonableness of recoverability of trade receivables with reference to the credit history including default or delays in payments, settlement records, subsequent settlements and aging analysis of each individual customer.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Mr. Chan Ching Pang.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Chan Ching Pang
Practising Certificate Number: P05746

Hong Kong, 23 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	6	**176,810**	172,347
Cost of sales		**(135,790)**	(133,426)
Gross profit		**41,020**	38,921
Other income and gains	7	**490**	2,647
Distribution and selling expenses		**(10,596)**	(9,269)
Administrative expenses		**(15,102)**	(12,268)
Listing expenses		**(1,840)**	(5,348)
Profit before tax		**13,972**	14,683
Income tax expense	8	**(4,423)**	(5,258)
Profit for the year	9	**9,549**	9,425
Other comprehensive expense, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(165)**	(176)
Other comprehensive expense for the year		**(165)**	(176)
Total comprehensive income for the year		**9,384**	9,249
		RMB cents	RMB cents
Earnings per share			
– Basic and diluted	13	**1.4**	1.4

Details of the dividends are disclosed in note 12 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	14	**7,232**	8,912
Intangible assets	15	**660**	416
Deposit	17	**360**	360
Deferred tax assets	20	**956**	770
		9,208	10,458
Current assets			
Inventories	16	**26,600**	15,352
Trade and other receivables	17	**42,921**	46,432
Cash and bank balances	18	**37,272**	11,719
		106,793	73,503
Total assets		**116,001**	83,961
Current liabilities			
Trade and other payables	19	**45,790**	44,027
Current tax liabilities		**875**	1,881
		46,665	45,908
Net current assets		**60,128**	27,595
Total assets less current liabilities		**69,336**	38,053
Non-current liabilities			
Deferred tax liabilities	20	**1,069**	632
Net assets		**68,267**	37,421
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	21	**6,969**	66
Reserves	22	**61,298**	37,355
Total equity		**68,267**	37,421

The consolidated financial statements on pages 53 to 99 were approved and authorised for issue by the board of directors on 23 March 2018 and signed on its behalf by:

Mr. Huang Xiaodong
Director

Mr. Xiao Jiansheng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital RMB'000	Share premium RMB'000 *(Note 22)*	Special reserve RMB'000 *(Note 22)*	Statutory reserve RMB'000 *(Note 22)*	Foreign currency translation reserve RMB'000 *(Note 22)*	Retained profits RMB'000	Total equity RMB'000
Balance at 1 January 2016	–	–	23,316	2,822	(4)	1,972	28,106
Profit for the year	–	–	–	–	–	9,425	9,425
Other comprehensive expense for the year	–	–	–	–	(176)	–	(176)
Total comprehensive income for the year	–	–	–	–	(176)	9,425	9,249
Issue of shares of a subsidiary	66	–	–	–	–	–	66
Statutory reserve appropriation	–	–	–	21	–	(21)	–
Balance at 31 December 2016	66	–	23,316	2,843	(180)	11,376	37,421
Profit for the year	–	–	–	–	–	9,549	9,549
Other comprehensive expense for the year	–	–	–	–	(165)	–	(165)
Total comprehensive income for the year	–	–	–	–	(165)	9,549	9,384
Issuance of new shares	1,016	31,008	–	–	–	–	32,024
Shares issue expenses	–	(4,450)	–	–	–	–	(4,450)
Corporate Reorganisation	5,887	–	(5,887)	–	–	–	–
Dividends recognised as distribution *(Note 12)*	–	–	–	–	–	(6,112)	(6,112)
Statutory reserve appropriation	–	–	–	475	–	(475)	–
Balance at 31 December 2017	**6,969**	**26,558**	**17,429**	**3,318**	**(345)**	**14,338**	**68,267**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Profit before tax		13,972	14,683
Adjustments for:			
Depreciation of property, plant and equipment		1,691	1,716
Amortisation of intangible assets		111	98
Interest income		(24)	(10)
Loss on disposal of property, plant and equipment, net		1	–
		15,751	16,487
Movements in working capital			
Increase in inventories		(11,248)	(2,192)
Decrease/(increase) in trade and other receivables		3,511	(7,251)
Increase in trade and other payables		1,763	1,538
Cash generated from operations		9,777	8,582
Income taxes paid		(5,057)	(4,123)
Net cash generated by operating activities		4,720	4,459
Cash flows from investing activities			
Interest received		24	10
Payments for property, plant and equipment		(17)	(461)
Proceeds from disposal of property, plant and equipment		3	–
Payments for intangible assets		(355)	–
Repayment of loans to carved-out subsidiaries		–	2
Net cash used in investing activities		(345)	(449)
Cash flows from financing activities			
Dividends paid		(6,112)	–
Proceeds from issue of shares		32,024	66
Payments of transaction costs attributable to issue of new shares		(4,450)	–
Prepayments of listing expenses		–	(502)
Net cash generated by/(used in) financing activities		21,462	(436)
Net increase in cash and cash equivalents		25,837	3,574
Cash and cash equivalents at the beginning of year		11,719	8,290
Effect of foreign exchange rate changes, net		(284)	(145)
Cash and cash equivalents at the end of year		37,272	11,719
Analysis of balances of cash and cash equivalents			
Cash and bank balances	18	37,272	11,719

1. GENERAL INFORMATION

Alpha Era International Holdings Limited (the "Company") was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 3 November 2015. The shares of the Company have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 7 December 2017. Its parent and ultimate holding company is Nonton Limited ("Nonton"), a company incorporated in the British Virgin Islands ("BVI") with limited liability and wholly-owned by Mr. Lee King Sun ("Mr. Lee").

The addresses of the registered office and the principal place of business of the Company are Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and Units 1903-04, Tamson Plaza, 161 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong respectively.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") is principally engaged in the manufacturing and sales of inflatable products and related accessories.

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the respective entity operates (the "functional currency"). The functional currency of the Company is Hong Kong dollars ("HK$"). The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is different from the functional currency of the Company as the Group's dominated operations are substantially based in the People's Republic of China (the "PRC").

2. BASIS OF PRESENTATION

Prior to the corporate reorganisation undertaken in preparation for the listing of the Company's shares on the GEM of the Stock Exchange ("Corporate Reorganisation"), the group entities were under the control of Mr. Lee. Through the Corporate Reorganisation, the Company became the holding company of the companies now comprising the Group on 20 June 2017. Accordingly, for the purpose of the preparation of the consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the years presented. The Group comprising the Company and its subsidiaries resulting from the Corporate Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. Lee prior to and after the Corporate Reorganisation.

The consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the years presented in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years presented, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the years presented, or since their respective dates of incorporation or establishment where this is a shorter period. The consolidated statement of financial position as at 31 December 2016 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of Annual Improvements to HKFRSs 2014-2016 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretation that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
Amendments to HKAS 28	Long-Term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRS 2014-2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compenstation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39 *Financial Instruments: Recognition and Measurement*, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- for non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows and discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 9 Financial Instruments (Continued)

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company do not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

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

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

The directors of the Company anticipate that the application of HKFRS 15 in the future will not have a material impact on the amounts reported in the Group's consolidated financial statements in the future based on the existing business model of the Group as at 31 December 2017 but more disclosures relating to revenue may be required.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it became effective. HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, among others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of approximately RMB954,000 as disclosed in note 27. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 16 Leases (Continued)

In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. The directors of the Company do not expect the adoption of HKFRS16 as compared with the current accounting policy would result in significant impact on the result and the net financial position of the Group.

The directors of the Company anticipate that the application of the other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sub-contracting income is recognised when services are rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to the defined contribution benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

Obligations for contributions to retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the PRC central pension scheme, are recognised as an expense in profit or loss as incurred.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees after deducting any amount already paid.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Impairment of tangible and intangible assets (Continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" ("FVTPL"), "held-to-maturity" investments, "available-for-sale" ("AFS") financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

The Group's financial assets are classified into loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposit, trade and other receivables and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment of financial assets could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience, expectations of the future and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment losses on trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the provisions at each reporting date.

Provision for inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is an objective evidence that the cost of inventories my not be recoverable. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less variable selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer demand and competitor behaviours.

6. REVENUE AND SEGMENT INFORMATION

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the manufacturing and sales of inflatable products and related accessories. Since this is the only operating segment of the Group, no further analysis for segment information is presented.

Revenue

	2017 RMB'000	2016 RMB'000
Sales of inflatable products and related accessories	176,500	172,347
Sub-contracting income	310	–
	176,810	172,347

Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of revenue is based on the locations of the customers. All specified non-current assets are physically located in the PRC. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment.

	2017 RMB'000	2016 RMB'000
Revenue from external customers:		
– China	43,148	59,262
– Europe	44,909	37,325
– Australia and Oceania	15,816	22,285
– North America	23,917	18,551
– Asia	46,108	32,287
– Central and South America	2,580	2,588
– Africa	332	49
	176,810	172,347

6. REVENUE AND SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the Group's total revenue are as follows:

	2017 RMB'000	2016 RMB'000
Customer A	23,283	24,447
Customer B	24,484	N/A[1]

[1] The corresponding revenue did not contribute over 10% of the Group's total revenue.

7. OTHER INCOME AND GAINS

	2017 RMB'000	2016 RMB'000
Interest income on bank deposits	24	10
Grants and subsidies *(Note)*	400	415
Net foreign exchange gains	–	1,733
Others	66	489
	490	2,647

Note: Grants and subsidies mainly consist of gross grants and subsidies by local governments in relation to corporate development and export encouragement scheme and compensation for expenses already incurred. The amounts of these grants and subsidies are subject to discretions of local governments and there are no unfulfilled conditions or contingencies.

8. INCOME TAX EXPENSE

	2017 RMB'000	2016 RMB'000
Current tax		
Hong Kong Profits Tax		
– Current tax	1,312	744
PRC Enterprise Income Tax		
– Current tax	2,257	4,222
– Under-provision in prior year	593	–
Deferred tax *(Note 20)*	261	292
Total income tax recognised in profit or loss	4,423	5,258

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits in or derived from Hong Kong for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 RMB'000	2016 RMB'000
Profit before tax	13,972	14,683
Tax at PRC Enterprise Income Tax rate of 25% *(Note)*	3,493	3,671
Tax effect of expenses not deductible for tax purpose	624	1,488
Tax effect of non-taxable income	(40)	–
Withholding tax on undistributed profits	447	479
Under-provision in prior year	593	–
Effect of different tax rates of group entities operating in jurisdictions other than the PRC	(694)	(380)
Income tax expense for the year	4,423	5,258

Note: The PRC Enterprise Income Tax rate is used as it is the domestic tax rate in the jurisdiction where the operation of the Group is substantially based.

9. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2017 RMB'000	2016 RMB'000
Auditors' remuneration	**478**	241
Cost of inventories recognised as an expense	**135,790**	133,426
Depreciation of property, plant and equipment *(Note (i))*	**1,691**	1,716
Amortisation of intangible assets	**111**	98
Net foreign exchange losses	**1,525**	–
Listing expenses	**1,840**	5,348
Operating lease payments in respect of rented premises *(Note (ii))*	**5,374**	5,331
Employee benefits expense (including directors' emoluments *(Note 10)*):		
Salaries, wages and other benefits	**30,788**	27,717
Contribution to retirement benefits schemes	**1,385**	1,339
Total employee benefits expense *(Note (iii))*	**32,173**	29,056

Notes:

(i) Depreciation of property, plant and equipment amounting to approximately RMB1,432,000 (2016: RMB1,422,000) are capitalised in inventories and amounting to approximately RMB259,000 (2016: RMB294,000) are included in administrative expenses.

(ii) Operating lease payments amounting to approximately RMB4,083,000 (2016: RMB4,087,000) are capitalised in inventories and amounting to approximately RMB1,291,000 (2016: RMB1,244,000) are included in administrative expenses, of which approximately RMB426,000 (2016: RMB364,000) relating to staff quarter are included in employee benefits expense disclosed above.

(iii) Total employee benefits expense amounting to approximately RMB24,446,000 (2016: RMB20,975,000) are capitalised in inventories; amounting to approximately RMB1,719,000 (2016: RMB1,529,000) are included in distribution and selling expenses; and amounting to approximately RMB6,008,000 (2016: RMB6,552,000) are included in administrative expenses.

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the directors and the chief executive of the Company were as follows:

	Fees RMB'000	Salaries and other benefits in kind RMB'000	Discretionary bonuses RMB'000	Contributions to retirement benefits schemes RMB'000	Total RMB'000
2017					
Executive directors					
Mr. Huang Xiaodong ("Mr. Huang") *(Note (i))*	**104**	**240**	**105**	**1**	**450**
Mr. Xiao Jiansheng ("Mr. Xiao") *(Note (ii))*	**70**	**204**	**100**	**1**	**375**
Non-executive director					
Mr. Lee Kin Kee *(Note (iii))*	**17**	**–**	**–**	**–**	**17**
Independent non-executive directors					
Mr. Mao Guohua *(Note (iv))*	**4**	**–**	**–**	**–**	**4**
Mr. Gan Minqing *(Note (iv))*	**4**	**–**	**–**	**–**	**4**
Mr. Chu Wai Wa Fangus *(Note (iv))*	**17**	**–**	**–**	**–**	**17**
	216	**444**	**205**	**2**	**867**
2016					
Executive directors					
Mr. Huang *(Note (i))*	103	345	–	1	449
Mr. Xiao *(Note (ii))*	68	304	–	1	373
Non-executive director					
Mr. Lee Kin Kee *(Note (iii))*	–	–	–	–	–
	171	649	–	2	822

Notes:

(i) Mr. Huang was appointed as a director of the Company on 3 November 2015 and re-designated as the chairman of the board of directors and executive director on 5 March 2016.

(ii) Mr. Xiao was appointed as a director of the Company on 1 February 2016 and re-designated as the chief executive officer and executive director on 5 March 2016.

(iii) Mr. Lee Kin Kee was appointed as a non-executive director of the Company on 5 March 2016.

(iv) Mr. Mao Guohua, Mr. Gan Minqing and Mr. Chu Wai Wa Fangus were appointed as independent non-executive directors of the Company on 20 June 2017.

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Neither the chief executive officer nor any of the directors waived or agreed to waive any emoluments during the year ended 31 December 2017 (2016: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments, two (2016: two) of them are directors of the Company whose emoluments are set out in note 10 above. Details of the emoluments in respect of the remaining three (2016: three) highest paid individuals are as follows:

	2017 RMB'000	2016 RMB'000
Salaries and other benefits in kind	964	933
Contributions to retirement benefits schemes	30	23
	994	956

Their emoluments were all within nil to HK$1,000,000.

During the year ended 31 December 2017, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2016: Nil).

12. DIVIDENDS

	2017 RMB'000	2016 RMB'000
Dividends recognised as distribution	**6,112**	–

The dividends of HK$7,000,000 (equivalent to approximately RMB6,112,000) declared and paid during the year ended 31 December 2017 represented the dividends paid by a subsidiary of the Company to its then equity owners prior to the Corporation Reorganisation.

The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful for the preparation of these consolidated financial statements.

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2017 (2016: Nil), nor has any dividend been proposed since the end of the reporting period.

13. EARNINGS PER SHARE

	2017 RMB'000	2016 RMB'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**9,549**	9,425

	2017 '000	2016 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**688,219**	680,000

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 December 2017 was derived from 680,000,000 ordinary shares in issue as if these 680,000,000 ordinary shares were outstanding throughout the year and the effect of share offer by the Company as set out in note 21.

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 December 2016 was derived from 680,000,000 ordinary shares in issue as if these 680,000,000 ordinary shares were outstanding throughout the year.

The diluted earnings per share is equal to the basic earnings per share as there is no dilutive potential ordinary share in issue during years ended 31 December 2017 and 2016.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture and equipment RMB'000	Computer equipment RMB'000	Total RMB'000
Cost						
Balance at 1 January 2016	6,833	11,678	1,098	263	1,896	21,768
Additions	118	249	76	–	18	461
Effect of foreign exchange differences	2	–	–	1	1	4
Balance at 31 December 2016	6,953	11,927	1,174	264	1,915	22,233
Additions	–	15	–	2	–	17
Disposals	–	(6)	(6)	–	–	(12)
Effect of foreign exchange differences	(2)	–	–	(1)	(1)	(4)
Balance at 31 December 2017	6,951	11,936	1,168	265	1,914	22,234
Accumulated depreciation						
Balance at 1 January 2016	3,946	5,094	816	221	1,527	11,604
Depreciation expense	662	907	86	4	57	1,716
Effect of foreign exchange differences	1	–	–	–	–	1
Balance at 31 December 2016	4,609	6,001	902	225	1,584	13,321
Depreciation expense	666	917	64	4	40	1,691
Eliminated on disposals	–	(4)	(4)	–	–	(8)
Effect of foreign exchange differences	(2)	–	–	–	–	(2)
Balance at 31 December 2017	5,273	6,914	962	229	1,624	15,002
Carrying amounts						
Balance at 31 December 2017	**1,678**	**5,022**	**206**	**36**	**290**	**7,232**
Balance at 31 December 2016	2,344	5,926	272	39	331	8,912

The above items of property, plant and equipment are depreciated on a straight-line basis over their useful lives as follows:

Leasehold improvements	Over the shorter of the term of the lease, and 2 to 9 years
Plant and machinery	6 to 10 years
Motor vehicles	4 to 5 years
Furniture and equipment	3 to 5 years
Computer equipment	3 to 10 years

15. INTANGIBLE ASSETS

	Patents RMB'000	Trademarks RMB'000	Total RMB'000
Cost			
Balance at 1 January 2016 and 31 December 2016	219	844	1,063
Additions	72	283	355
Balance at 31 December 2017	291	1,127	1,418
Accumulated amortisation			
Balance at 1 January 2016	148	401	549
Amortisation expense	21	77	98
Balance at 31 December 2016	169	478	647
Amortisation expense	24	87	111
Balance at 31 December 2017	193	565	758
Carrying amounts			
Balance at 31 December 2017	**98**	**562**	**660**
Balance at 31 December 2016	50	366	416

The following useful lives are used in the calculation of amortisation:

Patents	10 years
Trademarks	10 years

16. INVENTORIES

	2017 **RMB'000**	2016 RMB'000
Raw materials	**9,582**	4,977
Work in progress	**4,973**	1,927
Finished goods	**12,045**	8,448
	26,600	15,352

17. TRADE AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**36,863**	36,871
Value-added tax refundable	**3,649**	6,144
Prepaid listing expenses	**–**	822
Deposit paid	**1,208**	1,117
Other receivables and prepayment	**1,561**	1,838
	43,281	46,792
Analysed for reporting purposes:		
Current assets	**42,921**	46,432
Non-current assets	**360**	360
	43,281	46,792

The following is an analysis of trade receivables by age, presented based on the invoice date:

	2017 RMB'000	2016 RMB'000
0-30 days	**19,483**	26,236
31-60 days	**10,420**	3,609
61-90 days	**6,467**	5,315
91-120 days	**336**	1,393
121-365 days	**157**	318
	36,863	36,871

17. TRADE AND OTHER RECEIVABLES (Continued)

The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. The Group generally allows credit period ranging from 0 to 120 days. No interest is charged on overdue receivables.

The management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality. As at 31 December 2017, 82% (2016: 75%) of the trade receivables are neither past due nor impaired relate to a number of independent customers with good settlement history and no default on settlement had been noted.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there were subsequent settlement or no historical default of payments by the respective customers and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Age of trade receivables that are past due but not impaired

	2017	2016
	RMB'000	RMB'000
Overdue by:		
1–30 days	**6,169**	7,524
31–60 days	**–**	1,412
61–90 days	**336**	–
91–120 days	**157**	–
121–365 days	**–**	318
	6,662	9,254

18. CASH AND BANK BALANCES

Cash at banks earn interest at floating rates based on daily bank deposit rates. As at 31 December 2017, the Group's cash and bank balances with an aggregate amount of approximately RMB972,000 (2016: RMB3,883,000) were denominated in RMB which is not a freely convertible currency in the international market. The government of the PRC has implemented foreign exchange control and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

19. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	RMB'000
Trade payables	**35,960**	30,360
Receipt in advance	**2,824**	2,768
Accrued salaries and other benefits *(Note)*	**4,740**	7,240
Other payables and accruals	**2,266**	3,659
	45,790	44,027

Note:

Accrued salaries and other benefits disclosed above included emoluments payable to the executive directors of the Company amounting to approximately RMB242,000 (2016: RMB555,000) as at 31 December 2017.

19. TRADE AND OTHER PAYABLES (Continued)

The following is an analysis of trade payables based on the invoice date:

	2017 RMB'000	2016 RMB'000
0–30 days	**13,250**	15,036
31–60 days	**12,723**	4,485
61–90 days	**4,915**	5,644
91–120 days	**2,913**	3,194
121–365 days	**2,050**	1,350
Over 365 days	**109**	651
	35,960	30,360

The trade payables are non-interest bearing and the Group is normally granted credit period ranging from 30 to 75 days.

20. DEFERRED TAXATION

	Accelerated tax depreciation RMB'000	Withholding tax on undistributed profits RMB'000	Total RMB'000
Balance at 1 January 2016	583	(142)	441
Credited/(charged) to profit or loss *(Note 8)*	187	(479)	(292)
Exchange differences	–	(11)	(11)
Balance at 31 December 2016	770	(632)	138
Credited/(charged) to profit or loss *(Note 8)*	186	(447)	(261)
Exchange differences	–	10	10
Balance at 31 December 2017	**956**	**(1,069)**	**(113)**

20. DEFERRED TAXATION (Continued)

	2017	2016
	RMB'000	RMB'000
Analysed for reporting purpose as:		
Deferred tax assets	**956**	770
Deferred tax liabilities	**(1,069)**	(632)
	(113)	138

Under the Enterprise Income Tax Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for in full in respect of undistributed profits retained by PRC entities in the consolidated financial statements.

21. SHARE CAPITAL

Share capital as at 31 December 2016 represents the aggregate of the paid up share capital of the Company and Silver Bliss Holdings Limited ("Silver Bliss") held by Mr. Lee, the controlling shareholder, prior to the completion of the Corporate Reorganisation.

Details of the Company's authorised and issued ordinary share capital are as follows:

	Number of ordinary shares	**Share capital**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2016 and 31 December 2016 *(Note (i))*	38,000,000	380
Increase in authorised share capital *(Note (ii))*	962,000,000	9,620
At 31 December 2017	**1,000,000,000**	**10,000**

21. SHARE CAPITAL (Continued)

	Number of ordinary shares	Share capital HK$'000	Share capital RMB'000
Ordinary shares of HK$0.01 each			
Issued and fully paid:			
At 1 January 2016 and 31 December 2016 *(Note (i))*	10,000	–	–
Issue of shares pursuant to the Corporate Reorganisation *(Note (iii))*	679,990,000	6,800	5,953
Issue of shares by share offer *(Note (iv))*	120,000,000	1,200	1,016
At 31 December 2017	**800,000,000**	**8,000**	**6,969**

Notes:

(i) The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 3 November 2015 and with an authorised capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. One fully paid ordinary share of the Company was allotted and issued to the initial subscriber, which was subsequently transferred to Nonton on 3 November 2015. On 3 November 2015, Nonton subscribed for an additional 9,999 fully paid ordinary shares of the Company resulting in Nonton holding 10,000 fully paid ordinary shares of the Company.

(ii) Pursuant to the written resolution passed by the shareholders on 20 June 2017, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each to HK$10,000,000 divided into 1,000,000,000 ordinary shares of HK$0.01 each by the creation of an additional 962,000,000 ordinary shares of HK$0.01 each, ranking pari passu with the existing shares in all respect.

(iii) On 20 June 2017, the Company further issued and allotted 507,746,000 and 172,244,000 ordinary shares of HK$0.01 each to each of Nonton and Blink Wishes Limited ("Blink Wishes"), a company wholly-owned by Mr. Lee Kin Kee, in consideration for the acquisition of the entire equity interest in Silver Bliss from Nonton and Blink Wishes as part of the Corporate Reorganisation. Immediately following the above allotments and share transfers, the Company was owned as to 74.67% and 25.33% by Nonton and Blink Wishes, respectively.

(iv) On 7 December 2017, the Company issued 120,000,000 ordinary shares of HK$0.01 each pursuant to the Company's listing on the GEM of the Stock Exchange by way of share offer at a price of HK$0.315 per ordinary share.

22. RESERVES

Share premium

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less expenses incurred in connection with the issue of the shares.

Special reserve

Special reserve represents the reserve arose pursuant to the Corporate Reorganisation for the purpose of the listing of the Company's shares on the GEM.

22. RESERVES (Continued)

Statutory reserve

In accordance with the PRC Company Law and the PRC subsidiaries' Articles of Association, every year the PRC subsidiaries are required to transfer at least 10% of the profit after taxation determined in accordance with PRC Accounting Standards to the statutory reserves until the balance reaches 50% of the registered capital. Such reserve can be used to reduce any losses incurred or to increase registered capital.

Foreign currency translation reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. RMB) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve in respect of translating the net assets of foreign operations are reclassified to profit or loss on the disposal of the foreign operation.

23. SHARE OPTION SCHEME

The Company has adopted a share option scheme ("Scheme") pursuant to a resolution passed on 15 November 2017. The purpose of the Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

Under the Scheme, the board of directors may, at their absolute discretion and subject to the terms of the Scheme, grant options to any employees (full-time or part-time), directors, consultants or advisors of the Group, or any substantial shareholders of the Group, or any distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, to subscribe for shares of the Company.

Under the Scheme, the maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company's shareholders provided that the total number of Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. Subject to the approval of the Company's shareholders, the aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded.

23. SHARE OPTION SCHEME (Continued)

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to date of grant shall not exceed 1% of the shares of the Company in issue. Where any further grant of options to a participant under the Scheme would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his/her close associates abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approval by the independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee). Where any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective close associates would result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Scheme and any other share option schemes of the Company to such person in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HK$5 million must be approved by the Company's shareholders at the general meeting of the Company, with voting to be taken by way of poll.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK$1. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The subscription price shall be a price solely determined by the board of directors of the Company and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date; and (iii) the nominal value of the Company's share on the offer date.

The Scheme will remain in force for a period of ten years commencing on 15 November 2017 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders in general meeting.

There was no share option granted to eligible participants during the year ended 31 December 2017. There was no outstanding share options as at 31 December 2017.

24. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plans operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plans is to make the specified contributions.

The total expense recognised in profit or loss of approximately RMB1,385,000 (2016: RMB1,339,000) for the year ended 31 December 2017 represents contributions payable to the plans by the Group at rates specified in the rules of the plans.

25. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

At the end of the reporting period, the Group did not have any borrowings and therefore, had net debt-to-equity ratio of Nil.

Management of the Group review the capital structure regularly taking into account the cost of capital and the risks associated with the cost of capital. The Group will balance its overall capital structure through the payment of dividends, the issuance of new shares and raise of borrowings.

26. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 **RMB'000**	2016 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**79,393**	56,929
Financial liabilities		
Amortised cost	**42,966**	41,259

26. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include deposit, trade and other receivables, cash and bank balances and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The management has been monitoring these risk exposures to ensure appropriate measures are implemented on a timely and effective manner so as to mitigate or reduce such risks.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Foreign currency risk management

For the year ended 31 December 2017, approximately 79% (2016: 68%) of the Group's revenue are denominated in United States dollar ("US$"). The Group's dominant operations are in the PRC and most of the operating expenses are primarily denominated in RMB. The Group is exposed to currency risk arising from currency exposures primarily with respect to US$, mainly attributable to the exposure on outstanding receivables and payables denominated in US$.

The carrying amounts of the Group's US$ denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2017 **RMB'000**	2016 RMB'000
Assets		
US$	**18,417**	34,971
Liabilities		
US$	**3,325**	4,708

Most of the US$ denominated monetary assets and liabilities at the end of reporting date are held under the Group's subsidiary in Hong Kong. Since HK$ is pegged to US$, the directors consider that the Group's exposure to foreign currency exchange is insignificant. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

26. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Interest rate risk management

The cash flow interest rate risk of the Group relates primarily to its variable-rate bank deposits. The management considers that the exposure to interest rate risk on bank deposits is insignificant. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Credit risk management

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or with good reputation. The Group is also subject to concentration of credit risk arising from its trade receivables. As at 31 December 2017, trade receivables that are due from the Group's largest five customers approximate to 73.7% (2016: 30.1%).

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings or good reputation and on trade receivables as disclosed above, the Group does not have any other significant concentration of credit risk.

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and banking facilities deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, the maturity analysis for non-derivative financial liabilities is prepared based on the scheduled repayment dates.

26. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk management (Continued)

	On demand or within 1 year RMB'000	Over 1 year RMB'000	Total contractual undiscounted cash flows RMB'000	Carrying amounts RMB'000
At 31 December 2017				
Trade and other payables	**42,966**	**–**	**42,966**	**42,966**
At 31 December 2016				
Trade and other payables	41,259	–	41,259	41,259

(c) Fair value measurements of financial instruments

The Group has no financial instruments measured at fair value subsequent to initial recognition on a recurring basis throughout the years represented.

27. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had operating lease commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 RMB'000	2016 RMB'000
Within one year	**689**	589
In the second to fifth years inclusive	**265**	–
	954	589

Operating leases relate to production facilities and office premises with lease terms of 2 to 6 years.

The Group leases certain of the properties in the PRC for a period of 6 years until 31 December 2023 at an aggregate monthly rental of approximately RMB362,000, with 5% increment every two years. The Group has an option to terminate such rental agreements by serving one month's notice.

27. OPERATING LEASE COMMITMENTS (Continued)

The Group as lessee (Continued)

In addition, the Group entered into a non-cancellable operating lease arrangement to lease for its office premises in Hong Kong for a period of 2 years commencing from October 2017 at a monthly rental of approximately RMB27,000.

Operating lease commitment disclosed above included (i) the one month's termination notice in relation to its PRC properties; and (ii) the remaining contractual period of the non-cancellable operating lease from its Hong Kong office premises.

The Group does not have an option to purchase the leased assets at the expiry of the lease period.

28. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the year:

Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2017 **RMB'000**	2016 RMB'000
Salaries and other benefits	**1,773**	1,753
Contributions to retirement benefits schemes	**32**	25
	1,805	1,778

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 RMB'000	2016 RMB'000
Non-current assets		
Investment in a subsidiary	26,344	–
Current assets		
Prepayments	125	792
Cash and bank balances	30,472	25
	30,597	817
Total assets	56,941	817
Current liabilities		
Other payable and accruals	31	–
Amount due to a subsidiary	13,710	9,757
	13,741	9,757
Net current assets/(liabilities)	16,856	(8,940)
Total assets less current liabilities	43,200	(8,940)
Net assets/(liabilities)	43,200	(8,940)
Capital and reserves		
Equity attributable to owners of the Company		
Share capital	6,969	–
Reserves	36,231	(8,940)
Total equity	43,200	(8,940)

The Company's statement of financial position were approved and authorised for issue by the board of directors on 23 March 2018 and signed on its behalf:

Mr. Huang Xiaodong
Director

Mr. Xiao Jiansheng
Director

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserve is as follows:

	Share premium RMB'000	Special reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2016	–	–	(108)	(2,560)	(2,668)
Loss for the year	–	–	–	(5,750)	(5,750)
Other comprehensive expense for the year	–	–	(522)	–	(522)
Total comprehensive expense for the year	–	–	(522)	(5,750)	(6,272)
Balance at 31 December 2016	–	–	(630)	(8,310)	(8,940)
Loss for the year	–	–	–	(2,069)	(2,069)
Other comprehensive income for the year	–	–	290	–	290
Total comprehensive expense for the year	–	–	290	(2,069)	(1,779)
Issuance of new shares	31,008	–	–	–	31,008
Shares issue expenses	(4,450)	–	–	–	(4,450)
Corporate Reorganisation	–	20,392	–	–	20,392
Balance at 31 December 2017	**26,558**	**20,392**	**(340)**	**(10,379)**	**36,231**

Special reserve of the Company represents the difference between the total equity of Silver Bliss acquired by the Company pursuant to the Corporate Reorganisation over the nominal value of the Company's shares issued in exchange therefore.

30. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at 31 December 2017 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued and fully paid-up share/ registered capital	Proportion of ownership interest held by the Company	Principal activities
Silver Bliss	BVI	US$10,000	100% (direct)	Investment holding
Swiftech International Limited ("Swiftech International")	Hong Kong	HK$1	100% (indirect)	Trading and export business of inflatable products
中山新宏達日用制品有限公司 Swiftech Company Limited* ("Swiftech Company")	PRC	HK$28,000,000	100% (indirect)	Manufacturing of inflatable products in the PRC
中山市潤和高分子材料製造有限公司 Zhongshan Runhe Macromolecular Materials Manufacture Limited* ("Zhongshan Runhe")	PRC	RMB7,000,000	100% (indirect)	Manufacturing of PVC coating, PVC laminated oxford and plastic products in the PRC

* The english tanslation of the company names is for identification purpose only.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements and the Prospectus, is set out below.

	For the year ended 31 December			
	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS				
Revenue	**176,810**	172,347	168,802	174,809
Gross profit	**41,020**	38,921	32,027	30,333
Profit before tax	**13,972**	14,683	10,536	8,180
Income tax expense	**(4,423)**	(5,258)	(3,174)	(2,411)
Profit for the year	**9,549**	9,425	7,362	5,769

	As at 31 December			
	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES				
Total assets	**116,001**	83,961	71,707	91,360
Total liabilities	**(47,734)**	(46,540)	(43,601)	(70,612)
Total equity	**68,267**	37,421	28,106	20,748