



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

INTERIM REPORT

2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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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CORPORATE INFORMATION

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 Mingqing
Mr. Chu Wai Wa Fangus

BOARD COMMITTEES

Audit Committee

Mr. Chu Wai Wa Fangus (*Chairman*)
Mr. Mao Guohua
Mr. Gan Mingqing

Remuneration Committee

Mr. Gan Mingqing (*Chairman*)
Mr. Xiao Jiansheng
Mr. Mao Guohua
Mr. Chu Wai Wa Fangus

Nomination Committee

Mr. Mao Guohua (*Chairman*)
Mr. Xiao Jiansheng
Mr. Gan Mingqing
Mr. Chu Wai Wa Fangus

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 ADVISER 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 REGISTRER 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 REGISTRER AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

STOCK CODE

8406

COMPANY'S WEBSITE

www.alpha-era.co

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2018

The unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2018, together with the comparative figures for the corresponding periods in 2017, are as follows:

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Revenue	5	25,208	48,862	62,512	85,366
Cost of sales		(19,987)	(36,642)	(49,507)	(65,343)
Gross profit		5,221	12,220	13,005	20,023
Other income and gains	6	540	36	564	332
Distribution and selling expenses		(2,147)	(2,004)	(3,948)	(4,124)
Administrative expenses		(2,759)	(3,472)	(7,140)	(6,566)
Listing expenses		–	(195)	–	(195)
Profit before tax		855	6,585	2,481	9,470
Income tax expense	7	(141)	(1,585)	(356)	(2,271)
Profit for the period	8	714	5,000	2,125	7,199
Other comprehensive income, net of income tax					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translating foreign operations		1,232	30	358	56
Other comprehensive income for the period		1,232	30	358	56
Total comprehensive income for the period		1,946	5,030	2,483	7,255
		RMB cents	RMB cents	RMB cents	RMB cents
Earnings per share – Basic and diluted	9	0.09	0.74	0.27	1.06

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Non-current assets			
Property, plant & equipment	11	6,413	7,232
Intangible assets	12	625	660
Deposit		360	360
Deferred tax assets		1,043	956
		8,441	9,208
Current assets			
Inventories		25,782	26,600
Trade and other receivables	13	26,474	42,921
Cash and bank balances		32,070	37,272
		84,326	106,793
Total assets			
		92,767	116,001
Current liabilities			
Trade and other payables	14	20,089	45,790
Current tax liabilities		825	875
		20,914	46,665
Net current assets			
		63,412	60,128
Total assets less current liabilities			
		71,853	69,336
Non-current liabilities			
Deferred tax liabilities		1,103	1,069
Net assets			
		70,750	68,267
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	15	6,969	6,969
Reserves		63,781	61,298
		70,750	68,267

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to the owners of the Company						Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Statutory reserve RMB'000	Foreign currency		
					translation reserve RMB'000	Retained profit RMB'000	
Balance at 1 January 2018 (Audited)	6,969	26,558	17,429	3,318	(345)	14,338	68,267
Profit for the Period	-	-	-	-	-	2,125	2,125
Other comprehensive income for the Period	-	-	-	-	358	-	358
Total comprehensive income for the Period	-	-	-	-	358	2,125	2,483
Balance at 30 June 2018 (Unaudited)	6,969	26,558	17,429	3,318	13	16,463	70,750
Balance at 1 January 2017 (Audited)	66	-	23,316	2,843	(180)	11,376	37,421
Profit for the period	-	-	-	-	-	7,199	7,199
Other comprehensive income for the period	-	-	-	-	56	-	56
Total comprehensive income for the period	-	-	-	-	56	7,199	7,255
Corporate Reorganisation	5,887	-	(5,887)	-	-	-	-
Dividends recognised as distribution	-	-	-	-	-	(6,112)	(6,112)
Balance at 30 June 2017 (Audited)	5,953	-	17,429	2,843	(124)	12,463	38,564

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Cash flows from operating activities		
Profit before tax	2,481	9,470
Adjustment for:		
Depreciation of property, plant and equipment	813	851
Amortisation of intangible assets	58	50
Interest income	(6)	(5)
Gain on disposal of property, plant & equipment, net	(122)	–
	3,224	10,366
Movements in working capital		
Decrease/(increase) in inventories	818	(5,297)
Decrease in trade and other receivables	16,447	5,786
Decrease in trade and other payables	(25,701)	(3,395)
Cash (used in)/generated from operations	(5,212)	7,460
Income taxes paid	(478)	(1,978)
Net cash (used in)/generated by operating activities	(5,690)	5,482
Cash flows from investing activities		
Interest received	6	5
Payments for property, plant and equipment	(291)	(15)
Proceeds from disposal of property, plant and equipment	487	5
Payments for intangible assets	(23)	(46)
Net cash generated by/(used in) investing activities	179	(51)
Cash flows from financing activities		
Dividends paid	–	(6,112)
Payment of listing expenses	–	(6)
Net cash used in financing activities	–	(6,118)
Net decrease in cash and cash equivalents	(5,511)	(687)
Cash and cash equivalents at the beginning of period	37,272	11,719
Effect of foreign exchange rate changes, net	309	(249)
Cash and cash equivalents at the end of the period	32,070	10,783

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 (the “Shares”) have been listed on the GEM 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 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 unaudited condensed 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 PREPARATION

The Group’s unaudited condensed consolidated financial statements have been prepared in accordance with the accounting policies, which conform the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to HKAS 28	As part of the Annual Improvements to HKFRS 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

3. ESTIMATES

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements as at 31 December 2017.

There have been no changes in the risk management policies since year end.

4.2 Liquidity risk

Compared to year end, there have been no material changes to the policies and practices for the Group's liquidity and funding risks management as described in the consolidated financial statements for the year ended 31 December 2017.

4.3 Fair value estimation

As at 31 December 2017 and 30 June 2018, the Group did not have any financial assets or financial liabilities that are measured at fair value.

The carrying values of receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

5. 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's revenue by segment are as follows:

Revenue

	For the three months ended 30 June		For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Sales of inflatable products and related accessories	24,653	48,862	61,192	85,366
Sub-contracting income	555	–	1,320	–
	25,208	48,862	62,512	85,366

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.

	For the three months ended 30 June		For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Revenue from external customers				
– China	5,455	8,640	10,684	15,694
– Europe	7,050	12,400	24,469	28,794
– Australia and Oceania	1,677	1,178	2,926	1,198
– North America	7,211	8,721	11,108	14,500
– Asia	2,705	16,937	11,619	24,065
– Central and South America	813	957	1,374	1,086
– Africa	297	29	332	29
	25,208	48,862	62,512	85,366

6. OTHER INCOME AND GAINS

	For the three months ended 30 June		For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Interest income on bank deposits	3	3	6	5
Grants and subsidies	415	–	415	289
Others	122	33	143	38
	540	36	564	332

7. INCOME TAX EXPENSE

The amount of income tax expense in the condensed consolidated statement of profit or loss and other comprehensive income represents:

	For the three months ended 30 June		For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Current tax for the Period				
Hong Kong Profits Tax	193	566	307	834
PRC Enterprise Income Tax	(25)	955	101	1,324
Deferred tax	(27)	64	(52)	113
Total income tax recognised in profit or loss	141	1,585	356	2,271

Hong Kong Profits Tax is calculated on the basis at 8.25% of the estimated assessable profits up to HK\$2,000,000 and 16.5% on any part of the estimated assessable profits over HK\$2,000,000 in or derived from Hong Kong for the Period. (2017: 16.5%)

PRC subsidiaries are subject to PRC Enterprise Income Tax which is calculated at the rates applicable in the respective jurisdictions.

8. PROFIT FOR THE PERIOD

Profit for the Period has been arrived at after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Cost of inventories recognised as an expense	19,987	36,642	49,507	65,343
Depreciation of property, plant and equipment	409	425	814	851
Amortisation of intangible assets	28	25	58	50
Net foreign exchange losses	–	491	189	827
Operating lease payments	1,368	1,358	2,737	2,687
Employee benefits expense (including directors' emoluments)				
Salaries, wages and other benefits	7,163	8,406	15,336	15,858
Contribution to retirement benefits schemes	745	268	1,497	565
Total employee benefits expense	7,908	8,674	16,833	16,423

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	For the three months ended 30 June		For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Earnings				
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	714	5,000	2,125	7,199
Number of shares	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	800,000	680,000	800,000	680,000

The weighted average number of ordinary shares for the purpose of basic earnings per share for the three months and six months ended 30 June 2018 was derived from 800,000,000 ordinary shares in issue during the Period.

The weighted average number of ordinary shares for the purpose of basic earnings per share for the three months and six months ended 30 June 2017 was derived from 680,000,000 ordinary shares as if these 680,000,000 ordinary shares were outstanding throughout the period.

The diluted earnings per share is equal to the basic earnings per share as there is no dilutive potential ordinary share in issue during the three months and six months ended 30 June 2018 and 2017.

10. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018. (2017: RMB6,112,000)

The dividends of HK\$7,000,000 (equivalent to approximately RMB6,112,000) declared and paid during the six months ended 30 June 2017 represented the dividends paid by a subsidiary of the Company to its then equity owners prior to the Corporation Reorganisation on 20 June 2017.

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.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvement RMB'000	Plant and machinery RMB'000	Motor Vehicle RMB'000	Furniture and Equipment RMB'000	Computer Equipment RMB'000	Total RMB'000
Cost						
Balance at 1 January 2018 (audited)	6,951	11,936	1,168	265	1,914	22,234
Additions	-	291	-	-	-	291
Disposals	-	(262)	(400)	-	-	(662)
Effect of foreign exchange difference	-	-	-	-	1	1
Balance at 30 June 2018 (unaudited)	6,951	11,965	768	265	1,915	21,864
Accumulated depreciation						
Balance at 1 January 2018 (audited)	5,273	6,914	962	229	1,624	15,002
Depreciation expense	324	448	20	1	20	813
Eliminated on disposals	-	(5)	(360)	-	-	(365)
Effect of foreign exchange difference	1	-	-	-	-	1
Balance at 30 June 2018 (unaudited)	5,598	7,357	622	230	1,644	15,451
Carrying amounts						
Balance at 30 June 2018 (unaudited)	1,353	4,608	146	35	271	6,413
Balance at 31 December 2017 (audited)	1,678	5,022	206	36	290	7,232

12. INTANGIBLE ASSETS

During the Period, the Group spent approximately RMB23,000 on acquisition of intangible assets (2017: approximately RMB246,000).

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Trade receivables	21,248	36,863
Value-added tax refundable	2,020	3,649
Deposit paid	1,070	1,208
Other receivables and prepayment	2,136	1,561
	26,474	43,281
Analysed for reporting purposes:		
Current assets	26,114	42,921
Non-current assets	360	360
	26,474	43,281

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

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
0-30 days	9,126	19,483
31-60 days	2,299	10,420
61-90 days	2,642	6,467
91-120 days	2,896	336
121-365 days	4,285	157
	21,248	36,863

14. TRADE AND OTHER PAYABLES

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Trade payables	12,436	35,960
Receipt in advance	3,006	2,824
Accrued salaries and other benefits	3,350	4,740
Other payables and accruals	1,297	2,266
	20,089	45,790

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

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

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
0-30 days	4,926	13,250
31-60 days	1,491	12,723
61-90 days	3,643	4,915
91-120 days	1,718	2,913
121-365 days	529	2,050
Over 365 days	129	109
	12,436	35,960

15. SHARE CAPITAL

The share capital balance as at 30 June 2018 in the condensed consolidated statement of financial position represented the issued share capital of the Company. Details of the authorised and issued and fully paid share capital of the Company are summarised as follows:

	Number of ordinary shares	Share capital HK\$'000	Share capital RMB'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 31 December 2017 and 30 June 2018	1,000,000,000	10,000	
Issued and fully paid:			
At 31 December 2017 and 30 June 2018	800,000,000	8,000	6,969

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the manufacturing and sales of inflatable products and related accessories. Founded in 2003, the Group has over 10 years' experience in designing, manufacturing and marketing high quality inflatable playgrounds and other inflatable products. The Group manufactures its products in the production facilities in Dongcheng Industrial Zone located in Zhongshan City, Guangdong Province. The Group is committed to high standards of quality in all of its products and follow stringent quality control procedures throughout the production processes. Through years of effort in marketing and production, the inflatable products have been sold under various brands widely in various overseas markets.

During the six months ended 30 June 2018 (the "Period"), the Group recorded a decrease in revenue of approximately RMB22,854,000 or 26.8% compared with that of the same period in 2017. Such decrease in revenue was mainly attributable to the substantial decrease in revenue in the second quarter of 2018, which was considered to be primarily due to the delay in some of the Group's overseas sales orders as the customers have been more cautious in placing orders to cope with the uncertain trading environment during U.S.-China trade tensions.

The gross profit margin also decreased to approximately 20.8% for the Period as compared to approximately 23.5% for the same period in 2017. Due to the significant decrease in revenue, the profit for the Period was also decreased by approximately RMB5,074,000 or 70.5% to approximately RMB2,125,000, as compared with the corresponding period (2017: RMB7,199,000).

The uncertain trading environment due to the U.S.-China trade tensions and the unpredictable fluctuation in the exchange rate make the second half of the year 2018 more challenging. The Directors believe that the U.S.-China trade tensions will finally resolve; and with the expertise and experience of the management team, the Group will be able to maintain good relationships with major customers by emphasizing on the quality and safety of the products, the Directors consider that the Group is in good position to compete against its competitors under such future challenges.

The Directors believe that the followings will provide support to the sales growth and the gross profit margin in the second half of the year 2018:

1. The Group has developed new inflatable products with sound and light, which are generally of higher average selling price and gross profit margin;
2. With the development of the domestic sales business, the Group expects to generate higher sales to the domestic customers, which helps to reduce the impact of the US-China trade tensions.

The Group will also pursue the four key business strategies: (i) to expand and enhance the product offerings through continuous product development efforts and continue to strengthen the 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

The Group's revenue was approximately RMB62,512,000 for the Period, representing a decrease of RMB22,854,000 or 26.8% as compared to the revenue for the same period in 2017. Revenue from the sales of inflatable playgrounds with air blowers for the Period was approximately RMB53,315,000 (2017: RMB77,032,000), decreased by RMB23,717,000 or 30.8% compared with the corresponding period, which accounted for approximately 85.3% of the total revenue (2017: 90.2%); revenue from the sales of other inflatable products for the Period was approximately RMB2,259,000 (2017: RMB5,894,000), decreased by RMB3,635,000 or 61.7% compared with the corresponding period, which accounted for approximately 3.6% of the total revenue (2017: 6.9%); revenue from the sales of inflatable products related accessories and subcontracting work for the Period was approximately RMB6,938,000 (2017: RMB2,440,000), increased by RMB4,498,000 or 184.3%, which accounted for 11.1% of the total revenue (2017: 2.9%).

An analysis of the Group's revenue for the Period by geographical location is set out in note 5 to the unaudited financial results.

Cost of sales

Cost of sales decreased by approximately RMB15,836,000 to approximately RMB49,507,000 for the Period from approximately RMB65,343,000 for the corresponding period in 2017 due to the decrease in revenue.

Gross profit and gross profit margin

The Group recorded a gross profit of approximately RMB13,005,000 for the Period, a decrease of approximately RMB7,018,000 as compared with the corresponding period (2017: RMB20,023,000) mainly due to the decrease in revenue. Gross profit margin also decreased to approximately 20.8% for the Period from 23.5% during the corresponding period.

Other income and gains

Total other income and gains was approximately RMB564,000 for the Period, representing an increase of approximately RMB232,000 as compared with the corresponding period (2017: RMB332,000), mainly due to the Group recorded (i) grants and subsidies from the P.R.C. government of approximately RMB415,000 during the Period as compared to RMB289,000 during the six months ended 30 June 2017; and (ii) the gain on disposal of property, plant and equipment for approximately RMB122,000 for the Period (2017: Nil).

Distribution and selling expenses

Total distribution and selling expenses was approximately RMB3,948,000 for the Period (2017: RMB4,124,000), a decrease of RMB176,000 or 4.3% as compared to the corresponding period in 2017. The decrease was mainly resulted from: (i) decrease in commission and after-sales service expenses by approximately RMB383,000; partially offset by (ii) increase in advertising and promotion expenses by approximately RMB233,000.

Administrative expenses

The administrative expenses was approximately RMB7,140,000 for the Period (2017: RMB6,566,000), an increase of RMB574,000 or 8.7% as compared to the corresponding period. The increase was mainly resulted from increase spending in legal and professional fee by approximately RMB511,000 after listing.

Finance costs

As the Group did not have any borrowing during the Period, no finance costs was recorded for the Period (2017: Nil).

Profit for the Period

Profit for the Period was approximately RMB2,125,000, a decrease of approximately RMB5,074,000 or 70.5% as compared with corresponding period (2017: RMB7,199,000).

Dividends

The Board does not recommend the payment of any interim dividend for the Period. (2017: Nil)

Liquidity, Financial Resources, Capital Structure and Gearing Ratio

The 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 30 June 2018 was approximately 4.03 as compared to that of approximately 2.29 as at 31 December 2017. The quick ratio of Group as at 30 June 2018 was approximately 2.80 as compared to that of approximately 1.72 as at 31 December 2017. Since no borrowings was outstanding as at 30 June 2018 and 31 December 2017, no gearing ratio was applicable.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies, and Future Plan for Material Investments or Capital Assets

During the Period, there was no significant investment held, material acquisition and disposal of subsidiaries and associated companies by the Company. The Group did not have any plans for material investments or capital assets as at 30 June 2018.

Contingent Liabilities

As at 30 June 2018, the Group did not have any significant contingent liabilities (31 December 2017: Nil).

Pledge of Assets

As at 30 June 2018, the Group had no assets pledged for bank borrowings or for other purpose (31 December 2017: Nil).

Segment Information

The Group principally operates in one business segment, which is the sale of inflatable products and related accessories.

Commitments

As at 30 June 2018, the Group had operating lease commitments for future minimum lease payments under non-cancellable operating leases for approximately RMB796,000 (31 December 2017: RMB954,000).

As at 30 June 2018, the Group did not have any significant capital commitments not provided for in the financial statements (31 December 2017: Nil).

Foreign Currency Exposure

As majority of the Group's revenue are denominated in US Dollars but the costs incurred by the Group for the production are denominated in Renminbi, significant fluctuation in the exchange rate between RMB against US Dollars may materially affect its business results of operations. As a result of the business expansion to overseas markets, the Group will continue to generate a significant amount of sales, assets and liabilities denominated in a currency other than RMB. In this case, the Group would be exposed to risks related to the exchange rate and the currency in which its assets and liabilities are denominated. A depreciation of RMB would require the Group 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 the business model, the Group currently does 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 periods. Because RMB is not freely convertible, the ability of the Group to reduce foreign exchange risk is limited.

Treasury Policies

The Group is exposed to credit risk primarily arising from trade receivables and bank deposits. Trade receivables are from customers with good collection track records with the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history to mitigate credit risks. No provision of doubtful debts was recognized during the six months ended 30 June 2018 and 2017 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, the Group adopts the policy of dealing only with high credit quality counterparties.

Employees and Remuneration Policies

As at 30 June 2018, the Group had 487 full-time employees (31 December 2017: 515). Most of the employees of the Group are located in Zhongshan City, Guangdong Province, the PRC. The total employee remuneration, including remuneration of the Directors, for the six months ended 30 June 2018 amounted to approximately RMB16,833,000 (2017: RMB16,423,000).

The Group entered into separate labour contracts with each of its employees in accordance with the applicable labour laws in Hong Kong and the PRC. The 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. The Group also offers options that may be granted to employees under the share option scheme.

Comparison of Business Objectives with Actual Business Progress

The following is a comparison of the Group's business plan as set out in the prospectus of the Company dated 23 November 2017 (the "Prospectus") with actual business progress up to 30 June 2018.

Business plan as set in the Prospectus

Progress up to 30 June 2018

Expand and enhance the product offerings through continuous product development efforts and continue to strengthen our brand recognition

- | | |
|--|--|
| - Develop new products offerings and adjust product mix | 3 new design of smaller inflatable playgrounds and 2 new design of inflatable tents were newly developed, making the products more comprehensive |
| - Improve manufacturing for the products | Improved the production efficiency of 34 products in the catalogue by improving the production process. |
| - Register trademarks and patents for the new product design and new corporate trademark | 4 product exterior patents were added |

Expand production capacity

- | | |
|---|--|
| - Acquire new production facility or machinery | The expand production capacity plan has been delayed due to the tight trade relationship between China and the USA. It is planned to purchase a batch of new production equipment which worth approximately RMB 410,000 in the third quarter, and then expand production capacity in the fourth quarter or early next year depending on market conditions. |
| - Upgrade production facility or machinery for our existing production line | In 2018, the original machinery and equipment were upgraded and transformed, and the existing production lines were optimized and improved. Some large production lines were split into multiple small production lines, which reduced the frequent conversion of small orders and enhanced production efficiency. |

Attract and retain quality personnel

- | | |
|--|---|
| - Provide continuous structured training track to motivate and incentivise the staff | In the first half of 2018, skills training for the first-line staff were carried out, and labor technology was upgraded to improve production efficiency. |
|--|---|

Increase marketing effort, expand distribution network and explore new business opportunities

- Expand the wholesale distribution network
Cooperated with an e-commerce company in 2018 and it is expected that a sales platform will be set up in the USA in the second half of the year to sell tents.
- Strengthen marketing efforts such as placing of advertisements and participating in more exhibitions to explore new business opportunities
In the first half of 2018, we increased participation in exhibitions and absorbed new customers. Among them, the German exhibition held in June was mainly for promotion of tent products.

Use of Proceeds from Share Offer

The net proceeds from the issue of new shares of the 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 the 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.

Up to 30 June 2018, the net proceeds from the Listing had been applied as follows:

	Planned use of proceeds up to 30 June 2018 HK\$ million	Actual use of proceeds balance up to 30 June 2018 HK\$ million
Expand and enhance the product offerings	2.2	1.1
Expand production capacity	2.4	0.9
Attract and retain quality personnel	1.8	0.1
Increase marketing effort, expand distribution network and explore new business opportunities	1.7	1.5
General working capital	1.1	1.1
Total	9.2	4.7

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 the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2018, the interests and short positions 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 positions in ordinary shares of the Company

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

Notes:

- (1) Mr. Lee Kin Kee ("Mr. Kevin Lee") beneficially owns the entire 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 30 June 2018, none of the Directors or the Chief Executive or their respective associates had any interests or short positions 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 AND SHORT POSITIONS OF SUBSTANTIAL AND OTHER SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2018, 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 interest and short positions 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:

Long positions in ordinary shares of the Company:

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

Notes:

- (1) Mr. Lee King Sun ("Mr. Lee") beneficially owns the entire 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 in which 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 in which 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 30 June 2018, the Directors are not aware of any 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 which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “Share Option Scheme”) on 15 November 2017 for the purpose of providing additional incentives to 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. No share option has been granted under the Share Option Scheme since its adoption.

COMPETING AND CONFLICT OF INTERESTS

None of the Directors, the controlling shareholders or substantial shareholders of the Company and their respective close associates has engaged in any business which competes or may compete, directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the Period.

INTERESTS OF THE COMPLIANCE ADVISER

As at 30 June 2018, as notified by the Company’s compliance adviser, Frontpage Capital Limited (the “Compliance Adviser”), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser, neither the Compliance Adviser 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.

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 during the Period.

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 during the Period.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions of the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules (the “CG Code”). During the Period, to the best knowledge of the Board, the Company has complied with the applicable code provisions of the CG Code.

AUDIT COMMITTEE

The audit committee (the "Audit Committee") was established on 20 June 2017 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 and C.3.7 of the CG Code. The Audit Committee currently comprises all three independent non-executive Directors of the Company and is chaired by Mr. Chu Wai Wa Fangus. The other members are Mr. Mao Guohua and Mr. Gan Mingqing. The primary duties of the Audit Committee are mainly to review and supervise the financial reporting process and the internal control procedures of the Group.

The condensed consolidated financial results for the Period have not been audited by the Company's independent auditors, but have been reviewed by the Audit Committee. The Audit Committee is of the opinion that such results complied with the applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

By order of the Board
Alpha Era International Holdings Limited
Huang Xiaodong
Chairman

Hong Kong, 13 August 2018

As at the date of this report, the Board comprises Mr. Huang Xiaodong and Mr. Xiao Jiansheng as executive Directors; Mr. Lee Kin Kee as non-executive Director; and Mr. Mao Guohua, Mr. Gan Mingqing and Mr. Chu Wai Wa Fangus as independent non-executive Directors.