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 2018

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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 Minqing
Mr. Ho Hin Chung (appointed on 7 December 2018)
Mr. Chu Wai Wa Fangus
(resigned on 7 December 2018)

BOARD COMMITTEES

Audit Committee
Mr. Ho Hin Chung *(Chairman)*
(appointed on 7 December 2018)
Mr. Gan Minqing
Mr. Mao Guohua
Mr. Chu Wai Wa Fangus
(resigned on 7 December 2018)

Remuneration Committee
Mr. Gan Minqing *(Chairman)*
Mr. Mao Guohua
Mr. Ho Hin Chung (appointed on 7 December 2018)
Mr. Xiao Jiansheng
Mr. Chu Wai Wa Fangus
(resigned on 7 December 2018)

Nomination Committee
Mr. Mao Guohua *(Chairman)*
Mr. Gan Minqing
Mr. Ho Hin Chung (appointed on 7 December 2018)
Mr. Xiao Jiansheng
Mr. Chu Wai Wa Fangus
(resigned on 7 December 2018)

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

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

PRINCIPAL BANKERS

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

GEM STOCK CODE

8406

COMPANY'S WEBSITE

www.alpha-era.co

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 2018 (the "**Year**").

The Year is the first year after the listing of the Group in December 2017. Benefitting from its past development, the Group recorded revenue of approximately RMB192,977,000 during the Year, representing an increase of approximately RMB16,167,000 or 9.1% compared with the corresponding period in 2017. Gross profit margin also increased from 23.2% in 2017 to 25.3% during the Year. Profits after tax for the Year amounted to approximately RMB21,262,000, representing an increase of approximately RMB11,713,000 compared to 2017.

In 2018, under the corporate philosophy "continuous innovation on product development", the Group made tremendous efforts to innovate traditional products. For instance, a new generation of commercial inflatable products with electronic interactive features incorporating sound and light effects have been launched and recognised by the market. Besides, there were breakthroughs in marketing; the Group has established closer cooperation with powerful distributors in Europe, the US and South America, which was important to maintaining the market performance of traditional products. With its all-round efforts, I believe the Group will achieve great performance in the coming year.

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 throughout the years.

Huang Xiaodong
Chairman and Executive Director

Hong Kong, 22 March 2019

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 sells inflatable products under various brand. Through years of effort in marketing and promotion, the inflatable products the Group produce have been sold widely in various overseas markets.

The Group manufactures its products in the production facilities in Dongcheng Industrial Zone located in Zhongshan City, Guangdong Province. The Group is committed to maintain high standards of quality in all of the products and follow stringent quality control procedures throughout its production processes. The Group believes its product design and development capabilities will help strengthen its competitiveness through product differentiation and innovation.

After receiving positive responses from the launch of a new generation of commercial inflatable products with electronic interactive features incorporating sound and light effects in Euro Attractions Show (EAS) in September 2018, the Group participated in IAAPA Expo in the US in November 2018 and gained good responses from the market as well; meanwhile, the domestic sales of which has begun. In gratitude for the newly established electronic production department, the production of inflatable products with electronic interactive features incorporating sound and light effects have been in full operation and have been shipped to customers in the US, Europe and the PRC in December 2018. The first batch of new generation inflatable products abovementioned contributed to the increase in the Group's sales and gross profit margin for the fourth quarter. At the same time, the fourth quarter of 2018 is also the peak period of production for tradition product orders; the results of which were satisfactory.

Looking forward to the first half of 2019, in addition to the traditional products which are expected to deliver steady performance, the Directors believe the new generation of commercial inflatable products with electronic interactive features incorporating sound and light effects as well as end-user application products will also increase the Group's revenue and gross profit margin.

FINANCIAL REVIEW

REVENUE

The Group's revenue was approximately RMB192,977,000 for the year ended 31 December 2018, representing a slightly increase of approximately RMB16,167,000 or 9.1% as compared to the revenue for the year ended 31 December 2017. Revenue from the sales of inflatable playgrounds with air blowers for the year ended 31 December 2018 was approximately RMB168,758,000 (2017: RMB162,327,000), increased by approximately RMB6,431,000 or 4.0% compared with last year, which accounted for approximately 87.4% of the Group's total revenue (2017: 91.8%); revenue from the sales of other inflatable products for the year ended 31 December 2018 was approximately RMB10,538,000 (2017: RMB7,225,000), increased by approximately RMB3,313,000 or 45.9% compared with last year, which accounted for approximately 5.5% of the Group's total revenue (2017: 4.1%); revenue from the sales of inflatable products related accessories and subcontracting work for the year ended 31 December 2018 was approximately RMB13,681,000 (2017: RMB7,258,000), increased by approximately RMB6,423,000 or 88.5%, which accounted for approximately 7.1% of the Group's total revenue (2017: 4.1%).

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

The cost of sales increased by approximately 6.1% to approximately RMB144,139,000 for the year ended 31 December 2018 from approximately RMB135,790,000 for the corresponding period in 2017 which is in line with the increase in revenue.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group recorded a gross profit of approximately RMB48,838,000 for the year ended 31 December 2018, an increase of approximately RMB7,818,000 compared with that for the year ended 31 December 2017 (2017: RMB41,020,000). The gross profit margin was approximately 25.3% for the current year, representing an increase of approximately 2.1% as compared to the previous year (2017: 23.2%).

OTHER INCOME AND GAINS

Total other income and gains was approximately RMB1,433,000 for the year ended 31 December 2018, representing an increase of approximately RMB943,000 compared with that for the year ended 31 December 2017 (2017: RMB490,000), as the Group recorded an increase in grants and subsidies from the PRC government of approximately RMB749,000 and an increase in other income and gains of approximately RMB132,000.

DISTRIBUTION AND SELLING EXPENSES

Total distribution and selling expenses was approximately RMB8,347,000 for the year ended 31 December 2018 (2017: RMB10,596,000), representing a decrease of approximately RMB2,249,000 or 21.2% compared with last year. The decrease was mainly due to the Group recorded total commission and after-sales service expenses of approximately RMB1,720,000 for the year ended 31 December 2018, a decrease of approximately RMB2,137,000 as compared to the previous year (2017: RMB3,857,000).

ADMINISTRATIVE EXPENSES

The administrative expenses was approximately RMB14,936,000 for the year ended 31 December 2018 (2017: RMB15,102,000), representing a decrease of approximately RMB166,000 or 1.1% compared with last year. The decrease was mainly resulted from: (i) decreased in net foreign exchange loss of approximately RMB1,390,000; partially offset by (ii) increased spending in legal & professional fees by approximately RMB351,000; and (iii) increased spending in directors' emoluments by approximately RMB455,000.

FINANCE COSTS

No finance costs was recorded for the year ended 31 December 2018 (2017: Nil).

INCOME TAX EXPENSE

Income tax expenses was approximately RMB3,577,000 for the year ended 31 December 2018 (2017: RMB4,423,000), representing a decrease of approximately RMB846,000 or 19.1% compared with last year. An analysis of the Group's income tax expense for the Year is set out in Note 8 to the consolidated financial statements.

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 2018 was approximately RMB22,615,000 (2017: RMB9,384,000).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group finances its liquidity and financial requirements primarily through cash generated from operations and equity contributed from the shareholders.

The Group'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 annual report.

As at 31 December 2018, the Group's total equity attributable to owners of the Company amounted to approximately RMB90.3 million (2017: RMB68.3 million).

The current ratio of the Group as at 31 December 2018 was approximately 3.70 times as compared to that of approximately 2.29 times as at 31 December 2017. The quick ratio of the Group as at 31 December 2018 was approximately 2.68 times as compared to that of approximately 1.72 times as at 31 December 2017. The Directors believe that the Group is in a healthy financial position to expand its core business and to achieve its business objectives.

Since no borrowings was outstanding as at 31 December 2018 and 31 December 2017, no gearing ratio was applicable.

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK0.75 cents per ordinary share for the year ended 31 December 2018 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 15 May 2019. Subject to the approval of the Company's shareholders at the Company's annual general meeting to be held on 2 May 2019, the proposed final dividend will be paid to the Company's shareholders on 27 May 2019. There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividends.

During the year ended 31 December 2017, the Board did not recommend the payment of any final dividend.

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

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

CAPITAL COMMITMENTS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2018, the Group did not have any material acquisitions and disposal of subsidiaries and affiliated companies (2017: Nil).

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the year ended 31 December 2018, there was no significant investment held by the Group (2017: Nil).

FUTURE PLAN FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed in the section "Use of Proceeds" in the prospectus of the Company dated 23 November 2017 (the "**Prospectus**"), the Group does not have any plan for material investment and capital assets for the coming year.

FOREIGN CURRENCY EXPOSURE

As approximately 78.2% and 78.8% of the Group's revenue for the years ended 31 December 2018 and 31 December 2017 respectively are denominated in US Dollars but the costs incurred for the production are denominated in Renminbi ("**RMB**"), significant fluctuation in the exchange rate between RMB against US Dollars may materially affect the Group's business results of operations. As a result of the Group's business expansion to overseas markets, the Group 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 Group's 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 years. Because RMB is not freely convertible, the Group's ability to reduce foreign exchange rate 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. During the year ended 31 December 2018, allowance for credit losses in relation to trade receivables of approximately RMB2,149,000 was recognised (2017: Nil).

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 31 December 2018, the Group had 552 full-time employees (31 December 2017: 515). Most of the 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 2018 amounted to approximately RMB35,749,000 (2017: RMB32,173,000).

The Group entered into separate labour contracts with each of the Group's 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 with actual business progress up to 31 December 2018.

Business plan as set in the Prospectus	Progress up to 31 December 2018
Expand and enhance the product offerings through continuous product development efforts and continue to strengthen the brand recognition of the Group	
– Develop new products offerings and adjust product mix	In addition to the three newly developed smaller inflatable playgrounds and two inflatable tents, inflatable products with electronic interactive features incorporating sound and light effects into the bouncing play were launched in the second half of 2018, making the Group's product offerings more comprehensive
– Improve manufacturing for the products	The structure of certain products was improved to guarantee quality while reducing production costs
– Register trademarks and patents for the new product design and new corporate trademark	11 new product design patents were obtained
Expand production capacity	
– Acquire new production facility or machinery	In 2018, an investment of approximately RMB1,158,000 was made in new equipment. Another investment of approximately RMB1,300,000 is expected to be made in new equipment in the first quarter of 2019
– Upgrade production facility or machinery for the existing production line	In 2018, the existing machinery and equipment were upgraded and the existing production lines were optimized and improved. A production line of inflatable products was newly established to meet the customers' delivery period
Attract and retain quality personnel	
– Provide continuous structured training track to motivate and incentise the staff	In 2018, the training of production line staff and product quality training were enhanced to ensure the continuous improvement of the staff's skills and further secure the product quality
Increase marketing effort, expand distribution network and explore new business opportunities	
– Expand the wholesale distribution network	The Group has cooperated with an e-commerce company and set up a sales platform in the USA in 2018
– Strengthen marketing efforts such as placing of advertisements and participating in more exhibitions to explore new business opportunites	The Group participated in a number of exhibitions in 2018, and notably received positive responses in EAS and IAAPA Expo. 14 new customers were acquired

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$20,658,000.

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$17,014,000 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$5,464,000, 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$5,464,000, will be used for expanding production capacity; (iii) approximately 21.1% of the net proceeds, or approximately HK$4,371,000, will be used for attracting and retaining quality personnel; (iv) approximately 20.7% of the net proceeds, or approximately HK$4,282,000, 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$1,077,000, will be used as general working capital.

	Planned use of net proceeds up to 31 December 2018 HKD'000	Actual use of net proceeds up to 31 December 2018 HKD'000
Expand and enhance the product offerings through continuous product development efforts and continue to strengthen the brand recognition	**3,278**	**2,803**
Expand production capacity	**5,464**	**1,920**
Attract and retain quality personnel	**2,623**	**2,446**
Increase marketing effort, expand distribution network and explore new business opportunities	**2,622**	**3,176**
General working capital	**1,077**	**1,077**
	15,064	**11,422**

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.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's key risk exposures are summarised as follows:–

1. The Group's past revenue and profit margin may not guarantee the Group's future revenue and profit margin.

2. The Group is subject to risks of fluctuations in the exchange rate between RMB and US Dollars.

3. The Group is subject to risks associated with marketing, distribution and sales of its products internationally.

4. Sales of the Group's products are subject to changes in consumer perception and preference.

5. The Group 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 the Group.

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

8. The Group is subject to environmental protection regulations and requirements.

9. The Group is 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 the 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 2018.

RELATIONSHIP WITH CUSTOMERS, SUPPLIES, SUBCONTRACTORS AND EMPLOYEES

Customers

The Group considers its customers as one of the most important stakeholders. The Group's commitment to continue its dedication to quality control, product safety and customer service are essential in maintaining the trust of its customers. Besides selling its products in the domestic market, the Group 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 2018. During the year ended 31 December 2018, the Group recorded revenue of approximately RMB150,283,000 from the sales to overseas customers (2017: RMB133,662,000), which accounted for approximately 77.9% of the total revenue (2017: 75.6%). The Group recorded approximately 54.8% of the total revenue from the Group's top five customers (2017: 46.4%). The Directors believe that the well-established relationships with major customers of the Group and market conditions, together with the reliable and high-quality products and dedicated customer service, will continue to strengthen market presence and fuel future expansion of the Group.

To the best knowledge of the Directors, none of the Directors or any of their respective close associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers.

Suppliers

The Group selects the suppliers on the basis of product quality, their background and credibility, reputation, service, price, scale of production and ability to meet the delivery schedule and requests. The Group typically works with reputable and reliable suppliers to secure key raw materials such as air blowers used in production process. The Group has established stable and good relationships with its suppliers of principal raw materials. The raw materials are generally available from a number of domestic suppliers, and the Group normally will have at least two sources of supply for each type of raw materials to avoid dependency. The Group requires goods provided by the Group's suppliers to meet high quality standards and to conduct regular evaluation on suppliers. During the year ended 31 December 2018, purchases of materials from the Group's five largest suppliers amounted to approximately RMB64,906,000 (2017: RMB70,660,000) and represented approximately 70.5% of the total cost of goods purchased (2017: 74.8%).

To the best knowledge of the Directors, none of the Directors or any of their respective close associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest suppliers.

Subcontractors

During the year ended 31 December 2018, the Group subcontracted a portion of sewing, printing and packaging works to 11 subcontractors (2017: 9), which are mainly local factories involving in sewing and packaging works. The total subcontracting fees amounted to approximately RMB16,909,000 (2017: RMB14,945,000), representing approximately 11.7% of the total cost of goods (2017: 11.0%). Subcontractors are selected based on assessment of (i) service quality; (ii) timeliness on delivery; (iii) quotation; and (iv) whether they have a quality assurance system that meets the Group's work requirements.

To the best knowledge of the Directors, none of the Directors or any of their respective close associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's subcontractors.

Employees

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

EXECUTIVE DIRECTORS

Mr. Huang Xiaodong (黃小冬), aged 57, is the Chairman and an executive Director of the Company. Mr. Huang is responsible for the overall strategic management and development of the Group's business operations. Mr. Huang joined the Group in June 2003, he was appointed as the director on 3 November 2015 and re-designated as the Chairman and executive Director on 5 March 2016. He is a director of all subsidiaries of the Company.

Mr. Huang has about 20 years of experience in the toy manufacturing industry, he is currently the deputy chairman of the Guangdong Province Toys Association (廣東省玩具協會副會長). 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 56, is the Chief Executive Officer and an executive Director of the Company. Mr. Xiao is responsible for overseeing the Group's operation, business development, finance and administration. Mr. Xiao joined the Group in June 2003, he was appointed as the 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 of the Company (the "**Remuneration Committee**") and the nomination committee of the Company (the "**Nomination Committee**"), he is a director of all subsidiaries of the Group.

Mr. Xiao has over 30 years of experience in the amusement products design and manufacturing industry. 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 55, was appointed as the 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 to April 2018.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Mao Guohua (毛國華), aged 51, was appointed as an 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 of the Company (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 53, was appointed as an 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. Ho Hin Chung (何顯聰), aged 48, was appointed as an independent non-executive Director on 7 December 2018. He is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee. He obtained a Bachelor of Social Science from Lingnan College Hong Kong (currently known as Lingnan University) in November 1995. He has further obtained a Master of Arts degree in Professional Accounting and Information Systems from City University of Hong Kong in November 2005 and a Master of Laws in Chinese Business Law from The Chinese University of Hong Kong in December 2008.

Mr. Ho has about 10 years of experience in auditing and over 10 years of experience in the provision of consultancy, corporate secretarial and advisory services. Mr. Ho holds professional qualifications as an accountant. He was admitted as a member and a fellow member of The Association of Chartered Certified Accountants in September 2005 and September 2010, respectively, and was admitted as a member and a fellow member of the Hong Kong Institute of Certified Public Accountants in December 2005 and May 2013, respectively.

SENIOR MANAGEMENT

Mr. Wang Haifeng (王海峰), aged 48, joined the Group in June 2003 and is the Financial Controller of the Group now. Mr. Wang is primarily responsible for overseeing and enhancing the accounting function of the Group's accounts and finance department. He has been a director of one of the subsidiaries, Swiftech Company, 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 46, joined the Group in June 2003 and is the Marketing Director of the 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 47, joined the Group in June 2003 and is the Head of Production Department of the Group now. Ms. Li is primarily responsible for overseeing the production of the 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 40, joined the Group in May 2004 and is the Art Director of the Group now. Mr. Zhu is primarily responsible for product design of the 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 57, joined the Group in September 2015 and was appointed as the Company Secretary and the Chief Financial Officer of the Company on 5 March 2016. Mr. Wan is primarily responsible for overseeing corporate finance, investor relations and financial management of the 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 2018.

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 performance for the Year by geographical segments 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 56 to 57.

During the year ended 31 December 2017 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 has recommended the payment of a final dividend of HK0.75 cents per Share for the year ended 31 December 2018 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 15 May 2019. Subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Thursday, 2 May 2019, the proposed final dividend is expected to be paid on Monday, 27 May 2019 to the shareholders of the Company.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years, as set out on page 110 in this annual report as 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 58 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	27.4%
– five largest customers in aggregate	54.8%
Purchases	
– the largest supplier	30.8%
– five largest suppliers in aggregate	70.5%

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.

None of the related party transactions constituted connected transactions under Chapter 20 of the GEM Listing Rules which were required to be disclosed.

DISTRIBUTABLE RESERVES

As at 31 December 2018, 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 RMB35.6 million.

DIVIDEND POLICY

The Group adopted a dividend policy (the "**Dividend Policy**") on 31 December 2018. A summary of this policy is disclosed as below.

The dividend policy of the Company is to distribute to its shareholder the funds surplus to the operating needs, current and future business development of the Group as determined by the Board. The Company may declare and pay dividends to the shareholders of the Company, subject to the criteria as set out below.

In accordance with the articles of association of the Company and subject to the relevant laws under the Cayman Islands, the Company in general meeting may from time to time declare dividends in any currency to be paid to the shareholders of the Company but no dividend shall be declared in excess of the amount recommended by the Board.

Dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Board determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the relevant laws under the Cayman Islands.

Subject to compliance with applicable laws, rules, regulations and the articles of association of the Company, in deciding whether to propose an dividend payout, the Board will take into account, among other things, the financial results, the earnings, losses and distributable reserves, the operations and liquidity requirements, the debt ratio and possible effect on the credit lines, the capital requirements, the current and future development plans of the Company, the interests of the shareholders of the Company, dividends received from the Company's subsidiaries, and other factors that the Board considered relevant.

SHARE OPTION SCHEME

The Company has conditionally 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 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 the 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 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 the 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 annual report.

DIRECTORS

The Directors during the Year and up to the date of this annual 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 (resigned on 7 December 2018)
Mr. Ho Hin Chung (appointed on 7 December 2018)

In accordance with the 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.

PERMITTED INDEMNITY PROVISION

Every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted.

DIRECTORS' SERVICE CONTRACTS

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

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in the Prospectus and in this annual report, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders (the "**Controlling Shareholders**") or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders or their subsidiaries, during the Year.

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 2018 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 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 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 annual 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 2018 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. The emolument of the number of the highest paid individuals who are not the Directors for the year ended 31 December 2018 are set out in Note 11 to the consolidated financial statements.

The emoluments of the senior management of the Group for the year ended 31 December 2018 falls within the following band:

Emolument Band	Number of Senior Management
Nil to HK$1,000,000	5

EMOLUMENT POLICY

The Company's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which includes discretionary bonus and other merit payments), considering other factors such as their experience, level of responsibility, individual performance, the profit performance of the Group and general market conditions.

The Remuneration Committee will meet at least once for each year to discuss remuneration related matters (including the remuneration of Directors and the senior management) and review the remuneration policy of the Group. It has been decided that the Remuneration Committee would determine, with delegated responsibility, the remuneration packages of individual executive Directors and the senior management.

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

As at 31 December 2018, 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 Rules 5.46 to 5.67 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 annual report.

Save as disclosed above, as at 31 December 2018, 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 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 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 or who were directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group 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 2018, there was no person or corporation (other than the Directors and the Chief Executive) who had any interest 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 the Group's business which competes and is likely to compete, directly or indirectly, with its business.

DEED OF NON-COMPETITION

On 15 November 2017, Mr. Lee 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 the 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 the 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 the Group.

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it shall (and he/it shall procure his/its associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not.

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Each of the Convenantors also gave certain non-competition undertakings under the Deed of Non-Competition as set out the paragraph headed "Relationship with our Controlling Shareholders – Non-Competition Undertakings" in the Prospectus.

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 during the Year.

INTERESTS OF THE COMPLIANCE ADVISER

As at 31 December 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 company 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.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Thursday, 2 May 2019 (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 Friday, 26 April 2019 to Thursday, 2 May 2019, 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 Thursday, 25 April 2019.

In order to qualify for the proposed final dividend, the register of members of the Company will be closed from Tuesday, 14 May 2019 to Wednesday, 15 May 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. Shareholders are reminded to ensure that all properly completed share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 10 May 2019.

USE OF PROCEEDS FROM LISTING

The net proceeds from the Listing (after deducting the underwriting fees, capitalized professional service fees and related 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

Save for the proposed final dividend as disclosed under the paragraph headed "Proposed final dividend" in this annual report, the Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 December 2018 and up to the date of this annual report.

DONATIONS

Charitable donations made by the Group during the year ended 31 December 2018 amounted to RMB52,000 (2017: RMB50,000).

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 27 to 35 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 an 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 AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2018 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, 22 March 2019

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 during the Year.

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 as at the date of this annual report:

Executive Directors

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

Non-executive Director

Mr. Lee Kin Kee

Independent non-executive Directors

Mr. Gan Minqing	
Mr. Mao Guohua	
Mr. Ho Hin Chung	(appointed on 7 December 2018)
Mr. Chu Wai Wa Fangus	(resigned on 7 December 2018)

In compliance with Rules 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 independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Company's strategies, performance and control, as well as ensure that the interests of all shareholders are taken into account. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company. 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 judgement 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 senior management of the Company 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 the executive Directors and the non-executive Director entered into a service contract with the Company and each of the independent non-executive Directors entered into letters of appointment with the Company. The service contracts with the executive Directors and the non-executive Director and the letters of appointment with each of the independent non-executive Directors are for an initial fixed term of three years commencing from the date of Listing on 7 December 2017. The aforementioned 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 the articles of association and the applicable GEM Listing Rules.

According to article 108 of the articles of association of the Company, 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. Accordingly, Mr. Xiao Jiansheng and Mr. Gan Minqing will retire as Directors at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

According to article 112 of the articles of association of the Company, 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. Accordingly, Mr. Ho Hin Chung will retire as Director of the Company at the forthcoming annual general meeting of the Company and, being eligible, will offer himself 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. Xiao Jiansheng as executive Director, Mr. Gan Minqing and Mr. Ho Hin Chung 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 and Mr. Xiao Jiansheng is the Chief Executive Officer of the Company throughout the Year.

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 adviser which was about, inter alias, the GEM Listing Rules, Companies Ordinance and Securities and Futures Ordinance.

All the Directors also understand the importance of continuous professional development and are committed to participating 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 Stock Exchange's website "www.hkexnews.hk" 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. Ho Hin Chung, an independent non-executive Director, and other members include Mr. Mao Guohua and Mr. Gan Minqing, the 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 Stock Exchange's 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 has held 4 meetings during the Year to review and comment on the Company's 2017 annual results, 2018 interim results and quarterly results as well as the Company's internal control procedures and risk management system, the attendance of the members of the Audit Committee are summarised below:

	Number of attendance/ number of meetings
Mr. Chu Wai Wa Fangus *(Chairman) (resigned on 7 December 2018)*	4/4
Mr. Ho Hin Chung *(Chairman) (appointed on 7 December 2018)*	N/A
Mr. Gan Minqing	4/4
Mr. Mao Guohua	4/4

N/A represents not applicable

The Group's consolidated financial statements for the year ended 31 December 2018 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 2018 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, an independent non-executive Director, and other members include Mr. Mao Guohua and Mr. Ho Hin Chung, being the independent non-executive Directors, Mr. Xiao Jiansheng, being the 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 Stock Exchange's website and the Company's website.

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

The Remuneration Committee has held 2 meetings during the Year, the attendance of the members of the Remuneration Committee are summarised below:

	Number of attendance/ number of meetings
Mr. Gan Minqing *(Chairman)*	2/2
Mr. Mao Guohua	2/2
Mr. Chu Wai Wa Fangus *(resigned on 7 December 2018)*	2/2
Mr. Ho Hin Chung *(appointed on 7 December 2018)*	N/A
Mr. Xiao Jiansheng	2/2

N/A represents not applicable

Nomination Committee

The Nomination Committee was established on 20 June 2017. The chairman of the Nomination Committee is Mr. Mao Guohua, an independent non-executive Director, and other members include Mr. Gan Minqing and Mr. Ho Hin Chung, being the independent non-executive Directors, Mr. Xiao Jiansheng, being the 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 Stock Exchange's website and on the Company's website.

The primary duties of the Nomination Committee are to review and assess the composition of the Board and independence of the independent non-executive Directors and provide recommendations to the Board on appointment of new Directors of the Company. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board.

The Nomination Committee has held 2 meetings during the Year, the attendance of the members of the Nomination Committee are summarised below:

	Number of attendance/ number of meetings
Mr. Mao Guohua *(Chairman)*	2/2
Mr. Gan Minqing	2/2
Mr. Chu Wai Wa Fangus *(resigned on 7 December 2018)*	2/2
Mr. Ho Hin Chung *(appointed on 7 December 2018)*	N/A
Mr. Xiao Jiansheng	2/2

N/A represents not applicable

ATTENDANCE RECORDS OF BOARD MEETING AND GENERAL MEETING

During the Year, seven Board meetings were held. Details of the attendance of each Director at the Board meetings and annual general meeting of the Company held on 27 April 2018 are set out below:

	Number of attendance Number of meetings	**AGM**
Executive Director		
Mr. Huang Xiaodong *(Chairman)*	6/7	1/1
Mr. Xiao Jiansheng *(Chief Executive Officer)*	7/7	0/1
Non-executive Director		
Lee Kin Kee	7/7	1/1
Independent non-executive Director		
Mr. Gan Minqing	7/7	0/1
Mr. Mao Guohua	6/7	0/1
Mr. Chu Wai Wa Fangus *(resigned on 7 December 2018)*	6/6	1/1
Mr. Ho Hin Chung *(appointed on 7 December 2018)*	1/1	N/A

N/A represents not applicable

COMPANY SECRETARY

The company secretary of the Company (the "**Company Secretary**") assists the Board by ensuring the Board policy and procedures are followed. The Company Secretary is also responsible for advising that Board on corporate governance matters.

During the Year, 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.

During the Year, the Company Secretary undertook no less than 15 hours of relevant professional training to update his skill and knowledge. The Biographical of the Company Secretary is set out in the section headed "Biographical Details of the Directors and Senior Management" of this report.

AUDITORS' REMUNERATION

The amount of fees charged by the external auditor generally depends on the scope and volume of the external auditor's work performed. For the Year, the remuneration paid or payable to the external auditor of the Company in respect of the statutory audit services amounted to approximately RMB524,000. No remuneration in respect of non-audit services for the Group was paid or payable to the external auditor of the Company.

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 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 2018 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.

The Group has yet to establish its internal audit function during the year ended 31 December 2018 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 the 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 adopted a board diversity policy (the "**Board Diversity Policy**") on 31 December 2018. The Company embraced the benefits of having a diverse Board, as such, the Board Diversity Policy aimed to set out the approach to maintain diversity of the Board. A summary of the Board Diversity Policy, together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, gender, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how.

Monitoring and Reporting

The Nomination Committee will disclose the composition of the Board annually in the corporate governance report and monitor the implementation of the Board Diversity Policy.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2018, as far as the Board and management are aware, there was no material breach of non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the 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 Stock Exchange's 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 are 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 52 to 55 of this report.

CHANGES IN CONSTITUTIONAL DOCUMENTS

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

ABOUT THE REPORT

This report is the "Environmental, Social and Governance Report" (collectively "**the ESG 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 STANDARDS

The ESG Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "**ESG Guide**") of the Stock Exchange set out in Appendix 20 of GEM Listing Rules. The ESG Report provides a simplified overview on the environmental, social and governance performance of the Group. The information in the ESG 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.

REPORTING YEAR

All the information in the Report reflects the performance of the Group in environmental management and social responsibility from 1 January 2018 to 31 December 2018 (the "**Reporting Period**"). This Report is released annually by the Group for public review so as to improve the transparency and responsibility of information disclosure.

REPORTING SCOPE

The ESG Report focuses on production of new and marketable inflatable playgrounds and inflatable products in the PRC, 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 has identified certain ESG issues relevant to the Group, which have been assessed by considering their materiality and importance to the Group's principle activities, stakeholders as well as the Group. Those identified ESG issues and key performance indicators ("**KPIs**") have been disclosed in the ESG Report.

STAKEHOLDER ENGAGEMENT

The Stock Exchange has set forth four principles for reporting in the ESG Guide: materiality, quantitative, balance and consistency, which should form the basis for preparing the ESG Report. As the Stock Exchange emphasises, 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.

The Group believes that effective feedback from stakeholders not only contributes to comprehensive and impartial evaluation of our ESG performance, but also enables us to improve our performance based on their feedback. Therefore, the Group has engaged in open and regular communication with our stakeholder groups including shareholders, employees, customers, suppliers, sub-contractors, government and the media. Over the years, the Group has continued to fine-tune our sustainability focus, addressing pressing issues. The table below shows how the Group communicate with key stakeholder groups and their respective concerns.

Table 1: Stakeholders and Engagement Methods

Stakeholder	Interests and concerns	Engagement channels
Shareholders and investors	• Return on investment • Corporate strategy and governance • Risk mitigation and management	• Annual General Meeting • Interim and annual reports, corporate websites • Announcements, notices of meetings, circulars
Clients	• Robust operation management • Full compliance with regulations • Sustainability performance of operations	• Interim and annual reports, corporate websites • Regular meetings and communication
Employees	• Compensation and benefits • Occupational health and safety • Career development opportunities • Corporate culture and wellbeing	• Provide leisure activities and increase cohesion • In-house training programmes • Performance reviews and appraisals • Promote career development and enhance competence at all levels
Suppliers	• Long-term partnership • Ethical business practices • Supplier assessment criteria	• Procurement processes • Audits and assessments

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 from 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 the content of the Report and presentation of the ESG 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 hazardous solid 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 sulphur dioxide (SO_x), nitrogen oxide (NO_x), 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 been checked according to the Determination of particulate matter in exhaust gas and sampling method of gaseous pollutants in a fixed source of pollution (GB/T 16157-1996) and passed the National Standard Air Pollutant Release Standard (DB44/27-2001) and the Emission Standard for Order Pollutants (GB 14554-93). This means the degree of exhaust gas like benzene, toluene and xylene generated from oil injection into the inflatable playgrounds are satisfactory.

Emissions from vehicle usage

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

Table 2: Types of cars and air emission

Types of Cars	**2018 Number of Cars**	2017 Number of Cars
Private Cars	**5**	3
Light Good Vehicles	**5**	6

Air Emission	**2018 Volume (Tonnes)**	2017 Volume (Tonnes)
CO_2 emission		
Scope 2 – energy indirect emission – generated from the use of electricity in office and manufacturing factory	**1,375**	1,672
Scope 3 – other indirect emissions – paper waste disposed at landfills	**7**	*N/A
– other indirect emissions – business travel by employees	**1.7**	*N/A
NO_x emission	**0.10**	0.15
SO_x emission	**0.0005**	0.0004
PM emission	**0.008**	0.010

* The Group had not developed any mechanism for collecting these information in 2017.

In respect of reducing the nitrogen oxides, sulphur oxides and particular matters emissions, the Group is committed to reducing 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 examples, the Standard Examination Methods for Drinking Water-Organoleptic and Physical Parameters (GB 5749-2006), 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 discharged 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 authorized 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 are generated. The Group's production process involved the following hazardous solid waste emissions figures:

Table 3: Hazardous waste emission

Hazardous waste	**2018 Volume (Tonnes)**	2017 Volume (Tonnes)
Waste lamp	**0.0080**	0.0075
Waste of packaging bucket	**0.0428**	0.1200
Waste of screen printing	**0.0244**	0.0200
Used cleaning cloth from production	**0.0755**	0.1000
Used battery	**0.007**	0.010
Used active charcoal	**0.0095**	0.0300
Used photographic plastic	**0.0244**	0.0200

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.

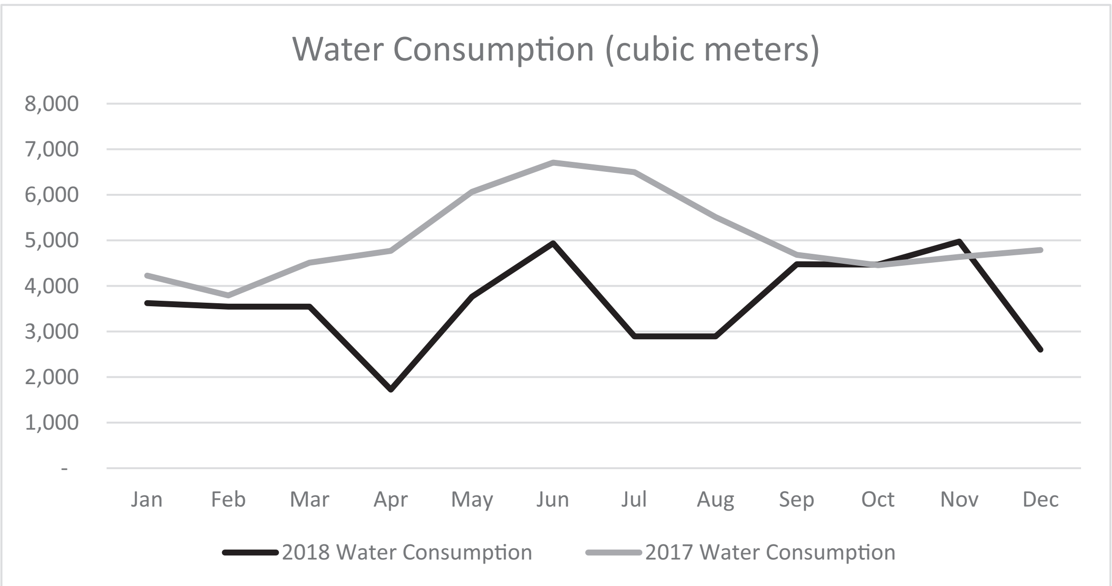
During the Reporting Period, the Group has taken action to reduce the emission of hazardous waste. We have made use of the technical skills from our experienced staff in the manufacturing factory in Zhongshan to help to lower the waste generated from our operations. Various internal trainings have been conducted to improve the working efficiency and create a higher awareness to all staff that hazardous waste should be limited.

The Group has made some progress as the emission figures of hazardous waste in 2018 are comparatively lower than 2017.

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 utilization efficiency to achieve low-carbon practices and emission reduction throughout our production and operation, and strive to save the resources.

The Group records and analyzes 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:



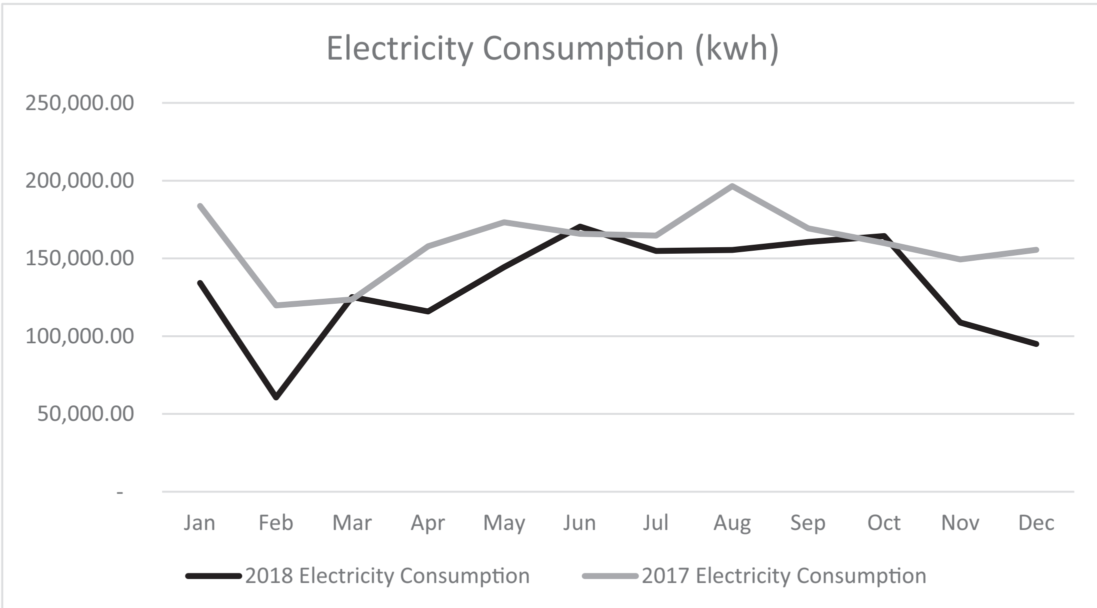
The total water consumption in cubic meters by region is shown in the table below:

Table 4: Water Consumption

Region	2018 Water consumption (cubic metres)	2018 Intensity of water consumption per no. of employees (cubic metres)	2017 Intensity of water consumption per no. of employees (cubic metres)
Hong Kong	9	9	9
The PRC	43,435	79	118
Total	43,444	79	118

Compared to the last financial year, the intensity of water consumption per no. of employees has dropped from 118 cubic metres to 79 cubic metres. The Group believes this is the contribution from the regular water consumption analysis and the internal training that create a sense of urgency to all staff about the monitoring of water usage. The Group will keep on performing current works and strive to remain the intensity at a low level.

The Group determines to maximize energy conservation in its office by promoting efficient use of power and adopting green technologies. 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 kilo watt hour by region is shown in the table below:

Table 5: Electricity Consumption

Region	**2018 Electricity consumption (kwh)**	**2018 Intensity of electricity consumption per number of employees (kwh)**	2017 Intensity of electricity consumption per number of employees (kwh)
Hong Kong	10,055	10,055	11,891
The PRC	1,579,413	2,866	3,734
Total	1,589,468	2,879	3,750

The intensity of electricity consumption has decreased from 3,750 kwh to 2,879 kwh. The Group believes the energy conservation norm has been developed among all staff through the internal training. The Group expects more progress would be made after the energy conservation norm has been well developed among the staff. The Group expects this can be reflected in the key performance result next year.

In the meantime, the Group has continued to give careful consideration to minimize all significant impact on the environmental resources. Various practices have been implemented which can be concluded as follows:

Implemented practice

- Switch off computers, printers, machines and other electronic devices after office hours or when leaving the workplace to reduce power consumption.
- Maximize the use of nature light and energy-saving lighting systems
- Apply optima temperature setting of air-conditioning
- Encourage duplex printing
- Reuse of single-side used paper
- Upgrade the electrical equipment with high efficient energy label continuously

Apart from the use of electricity and water, the Group has also used various packaging materials for its operation. During the reporting period, the Group recorded the following packaging materials usage:

Table 6: Packaging materials consumed

Packaging materials	**2018 Volume (Pcs)**	2017 Volume (Pcs)
Plastic products (plastic bags, repair patches, adhesive tape)	**921,634**	*N/A
Paper products (paper cartons, paper instructions, paper holders)	**761,738**	*N/A
Others (wave balls, camp nails, repair glues)	**492,184**	*N/A
Total	**2,175,556**	*N/A

* The Group had not developed any mechanism for collecting these information in 2017.

The Group has established a reporting mechanism about the total quantity consumed in packaging materials in 2018. These data are dedicated for the Group to monitor at a timely basis that enable the Group to consume the least packaging materials as possible. Besides, the Group is also planning to source recyclable packaging materials from suppliers with eco-friendly practice and engagement in order to limit the adverse impact to the environment.

THE ENVIRONMENT AND NATURAL RESOURCES

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

Therefore, the Group continues to use the polyethylene terephthalate (PET), an eco-friendly plasticizer which is easy to reprocess, and readily breaks down into its basic monomers. Recycled PET can be used in several 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 put its initiative in reducing the adverse impact to the environment by using a widely-recognized eco-friendly plasticizer.

To develop a green approach at the factory and offices, we have developed the following measures, rather than those as stated in the previous pages, for our daily operation so as to minimize the impact brought to the environmental and natural resources consumption.

Factory machine and office equipment

- 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

- 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 maximize 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 minimize 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.

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 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 Reporting Period, 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)

Table 7: Number of Employees

Gender	Age below 30	Age 30-50	Age over 50	Number of employees by gender	Total number of employees	**2018 ratio of number of male to female employees**	2017 ratio of number of male to female employees
Male	53	140	47	240	552	0.77:1	0.8:1
Female	61	197	54	312			
Total	114	337	101	552			

Table 8: Number of Employees by region

Region	**2018 Total number of employees**	2017 Total number of employees
Hong Kong	**1**	1
The PRC	**551**	*514
Total	**552**	*515

* Figures have been adjusted to reflect the total number of staff as at year ended to conform current year's presentation.

Table 9: Employee recruit

Gender	Age below 30	Age 30-50	Age over 50	Number of new recruits by gender	Total number of new recruits	**2018 percentage of new recruits to total number of employees**	2017 percentage of new recruits to total number of employees
Male	53	52	3	108	239	43%	33%
Female	45	75	11	131			
Total	98	127	14	239			

Table 10: Employee turnover

Gender	Age below 30	Age 30-50	Staff Age over 50	turnover by gender	Total staff turnover	**2018 Ratio of employee turnover to total number of employees**	2017 Ratio of employee turnover to total number of employees
Male	46	34	9	89	196	35%	31%
Female	46	52	9	107			
Total	92	86	18	196			

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 in 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.

Table 11: Health and Safety Key Performance Indicators (Employee)

Number of work injuries	2018 Rate of work injury (per thousand employees)	2017 Rate of work injury (per thousand employees)
4	**7.25**	*23.30

* The Group has adopted a different calculation method this year. Therefore, the figures for 2017 has been amended in order to be comparable.

DEVELOPMENT AND TRAININGS

The Group recognizes 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.

Table 12: Training and Development Key Performance Indicators (Employee)

Trained staff	Senior managerial level	Managerial level	General staff	Percentage of employees receiving training by gender	2018 Overall percentage of employees receiving training	2017 Overall percentage of employees receiving training
Male	100%	100%	100%	100%	**100%**	29%
Female	100%	100%	100%	100%		

Average training hours	Senior managerial level	Managerial level	General staff	Average training hours by gender	**2018 Overall average training hour**	2017 Overall average training hour
Male	4.2 hours	5.9 hours	3.7 hours	4.1 hours	**3.8 hours**	1.3 hours
Female	3.3 hours	3.6 hours	3.5 hours	3.5 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 carries 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 achieving 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 minimize possible disruptions during the operation.

During the Reporting Period, 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.

Environmental performance indicators have been summarized in the following tables.

Table 13: Environmental performance indicators

Aspect A1: Emissions

Performance indicator		2018 Data	2017 Data	HKEx ESG Reporting Guide KPI
Emission	Total nitrogen oxides (NOx) emission (g)	102,595.30	230,651.07	KPI A1.1
	Total particulate matters (PM) emission (g)	8,395.74	17,951.56	KPI A1.1
	Total sulphur oxides (SOx) emission (g)	450.56	493.72	KPI A1.1
	Total CO2 generated equivalent emission (ton)	1,383.70	1,671.59	KPI A1.2
Hazardous waste	Waste lamp (ton)	0.0080	0.0075	KPI A1.3
	Waste of packaging bucket (ton)	0.0428	0.1200	KPI A1.3
	Waste of screen printing (ton)	0.0244	0.0200	KPI A1.3
	Used cleaning cloth from production (ton)	0.0755	0.1000	KPI A1.3
	Used battery (ton)	0.0070	0.010	KPI A1.3
	Used active charcoal (ton)	0.0095	0.0300	KPI A1.3
	Used photographic plastic (ton)	0.0244	0.0200	KPI A1.3

Aspect A2: Use of resources

Performance indicator		2018 Data	2017 Data	HKEx ESG Reporting Guide KPI
Electricity	Total electricity consumption (Kwh)	1,589,468	1,931,174	KPI A2.1
Water	Total water consumption (cubic meters)	43,444	*60,640	KPI A2.2
Packaging materials	Total volume (Pcs)	2,175,556	N/A	KPI A2.5

* Figures have been adjusted to conform current year's presentation.

Table 14: Social performance indicators

Aspect B1: Employees

Performance indicator		2018 Data	2017 Data	HKEx ESG Reporting Guide KPI
Employee recruit	Gender:			
	– Male employees (per person)	108	117	KPI B1.1
	– Female employees (per person)	131	130	
Number of employees	Age			
	– Below 30 years old	114	*53	KPI B1.1
	– Between 30 to 50 years old	337	*381	
	– Over 50 years old	101	*81	
	Region			
	– Hong Kong	1	1	KPI B1.1
	– China	551	*514	
Employee turnover	Gender			
	– Male employees (per person)	89	112	KPI B1.2
	– Female employees (per person)	107	120	
	Age			
	– Below 30 years old	92	97	KPI B1.2
	– Between 30 to 50 years old	86	123	
	– Over 50 years old	18	12	
	Region			
	– Hong Kong	0	0	KPI B1.2
	– China	196	232	

* Figures have been adjusted to reflect the total number of staff as at year ended to conform current year's presentation.

Aspect B2: Health and safety

Performance indicator	2018 Data	2017 Data	HKEx ESG Reporting Guide KPI
Number of work injuries (per person)	4	12	KPI B2.1
Rate of work injury (per thousand employees)	7.25	*23.30	KPI B2.1

Aspect B3: Development and training

Performance indicator		2018 Data	2017 Data	HKEx ESG Reporting Guide KPI
The percentage of employees trained	Percentage of employees receiving training by gender			
	– Male employees (percentage)	100%	37%	KPI B3.1
	– Female employees (percentage)	100%	24%	
Average training hours completed per employee	Average training hours by gender			
	– Male employees (hours)	4.1	1.4	KPI B3.2
	– Female employees (hours)	3.5	1.2	

* The Group had adopted a different calculation method this year. Therefore, the figures for 2017 has been amended in order to be comparable.

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

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
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 56 to 109, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.	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; • 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; and • Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

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.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- 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, 22 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
Revenue	6	**192,977**	176,810
Cost of sales		**(144,139)**	(135,790)
Gross profit		**48,838**	41,020
Other income and gains	7	**1,433**	490
Distribution and selling expenses		**(8,347)**	(10,596)
Administrative expenses		**(14,936)**	(15,102)
Net impairment losses on financial assets		**(2,149)**	–
Listing expenses		**–**	(1,840)
Profit before tax		**24,839**	13,972
Income tax expense	8	**(3,577)**	(4,423)
Profit for the year	9	**21,262**	9,549
Other comprehensive expense, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**1,353**	(165)
Other comprehensive income/(expense) for the year		**1,353**	(165)
Total comprehensive income for the year		**22,615**	9,384
		RMB cents	RMB cents
Earnings per share			
– Basic and diluted	13	**2.7**	1.4

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
Non-current assets			
Property, plant and equipment	14	**6,394**	7,232
Intangible assets	15	**591**	660
Deposit	17	**–**	360
Deferred tax assets	20	**1,604**	956
		8,589	9,208
Current assets			
Inventories	16	**31,555**	26,600
Trade and other receivables	17	**64,168**	42,921
Cash and bank balances	18	**18,630**	37,272
		114,353	106,793
Total assets		**122,942**	116,001
Current liabilities			
Trade and other payables	19	**28,619**	45,790
Current tax liabilities		**2,271**	875
		30,890	46,665
Net current assets		**83,463**	60,128
Total assets less current liabilities		**92,052**	69,336
Non-current liabilities			
Deferred tax liabilities	20	**1,770**	1,069
Net assets		**90,282**	68,267
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	21	**6,969**	6,969
Reserves	22	**83,313**	61,298
Total equity		**90,282**	68,267

The consolidated financial statements were approved and authorised for issue by the board of directors on 22 March 2019 and signed on its behalf by:

Mr. Huang Xiaodong	**Mr. Xiao Jiansheng**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	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 earnings RMB'000	Total equity RMB'000
Balance at 1 January 2017	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
Share issue expenses	–	(4,450)	–	–	–	–	(4,450)
Corporate Reorganisation	5,887	–	(5,887)	–	–	–	–
Dividend 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
Effect from initial application of HKFRS 9	–	–	–	–	–	(600)	(600)
Balance at 1 January 2018	6,969	26,558	17,429	3,318	(345)	13,738	67,667
Profit for the year	–	–	–	–	–	21,262	21,262
Other comprehensive income for the year	–	–	–	–	1,353	–	1,353
Total comprehensive income for the year	–	–	–	–	1,353	21,262	22,615
Stautory reserve appropriation	–	–	–	1,548	–	(1,548)	–
Balance at 31 December 2018	**6,969**	**26,558**	**17,429**	**4,866**	**1,008**	**33,452**	**90,282**

	Notes	2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Profit before tax		**24,839**	13,972
Adjustments for:			
Depreciation of property, plant and equipment		**1,637**	1,691
Amortisation of intangible assets		**108**	111
Interest income		**(86)**	(24)
Net impairment losses on financial assets		**2,149**	–
(Gain)/loss on disposal of property, plant and equipment, net		**(122)**	1
		28,525	15,751
Movements in working capital			
Increase in inventories		**(4,955)**	(11,248)
(Increase)/decrease in trade and other receivables		**(23,036)**	3,511
(Decrease)/increase in trade and other payables		**(17,171)**	1,763
Cash (used in)/generated from operations		**(16,637)**	9,777
Income taxes paid		**(2,053)**	(5,057)
Net cash (used in)/generated by operating activities		**(18,690)**	4,720
Cash flows from investing activities			
Interest received		**86**	24
Increase in short-term bank deposit		**(8,782)**	–
Payments for property, plant and equipment		**(1,213)**	(17)
Proceeds from disposal of property, plant and equipment		**537**	3
Payments for intangible assets		**(39)**	(355)
Net cash used in investing activities		**(9,411)**	(345)
Cash flows from financing activities			
Dividends paid		**–**	(6,112)
Proceeds from issue of shares		**–**	32,024
Payments of transaction costs attributable to issue of new shares		**–**	(4,450)
Net cash generated by financing activities		**–**	21,462
Net (decrease)/increase in cash and cash equivalents		**(28,101)**	25,837
Cash and cash equivalents at the beginning of year		**37,272**	11,719
Effect of foreign exchange rate changes, net		**677**	(284)
Cash and cash equivalents at the end of year		**9,848**	37,272
Analysis of balances of cash and cash equivalents			
Cash and bank balances	18	**18,630**	37,272
Less: Short-term bank deposit with original maturity of more than 3 months	18	**(8,782)**	–
Cash and cash equivalent at the end of year		**9,848**	37,272

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 GEM (formerly known as the Growth Enterprise Market) 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 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 year ended 31 December 2017. 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 year ended 31 December 2017 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 year ended 31 December 2017, 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 year ended 31 December 2017.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
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
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and 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.

HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and lease receivables and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provision set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement* ("HKAS 39").

Accounting policies resulting from application of HKFRS 9 are disclosed in note 4.

Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at fair value through profit or loss. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Under HKFRS 9, the classification for all of the Group's financial assets and financial liabilities measured at amortised cost remain the same. The carrying amounts for all financial assets and financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

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

HKFRS 9 *Financial Instruments (Continued)*

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. The ECL on these assets are assessed individually and/or collectively using a provision matrix with appropriate grouping. This resulted in an increase of the loss allowance on 1 January 2018 by approximately RMB727,000 and deferred tax effect of approximately RMB127,000.

ECL for other financial assets at amortised cost, are assessed on 12-month ECL ("12m ECL") basis as there have been no significant increase in credit risk since initial recognition.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	HKAS 39 carrying amounts at 31 December 2017 RMB'000	**Adjustments** RMB'000	**HKFRS 9 carrying amounts at 1 January 2018** RMB'000
Non-current assets			
Deferred tax assets	956	127	1,083
Current assets			
Trade and other receivables	42,921	(727)	42,194
	43,877	(600)	43,277

All loss allowance as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Trade receivables RMB'000
At 31 December 2017 – HKAS 39	–
Effect on application of HKFRS 9	727
At 1 January 2018	727

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

HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following sources:

(a) Sales of inflatable products and related accessories

(b) Provision of sub-contracting services

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in note 4.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 January 2018**
	RMB'000	RMB'000	RMB'000
Current liabilities			
Trade and other payables	45,790	(2,824)	42,966
Trade and other payables – contract liabilities	–	2,824	2,824
	45,790	–	45,790

Note: As at 1 January 2018, receipt in advance from customers of approximately RMB2,824,000 previously included in trade and other payables were reclassified to contract liabilities. Both receipt in advance and contract liabilities are included in trade and other payables.

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

HKFRS 15 Revenue *from Contracts with Customers (Continued)*

Summary of effects arising from initial application of HKFRS 15 (Continued)

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported	**Adjustments**	**Amounts without application of HKFRS 15**
	RMB'000	RMB'000	RMB'000
Current liabilities			
Trade and other payables	25,910	2,709	28,619
Trade and other payables – contract liabilities	2,709	(2,709)	–
	28,619	–	28,619

Except as described above, the application of HKFRS 15 has had no material impact on the amounts reported set out in these consolidated financial statements.

Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the individual line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited)	**HKFRS 9**	**HKFRS 15**	**1 January 2018 (Restated)**
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Deferred tax assets	956	127	–	1,083
Current assets				
Trade and other receivables	42,921	(727)	–	42,194
Current liabilities				
Trade and other payables	45,790	–	(2,824)	42,966
Trade and other payables – contract liabilities	–	–	2,824	2,824
Reserves				
Retained earnings	14,338	(600)	–	13,738

There is no impact on the statement of profit or loss and other comprehensive income by adopting HKFRS 9 and HKFRS 15.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Venture[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

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

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

Except as described below, the directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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 lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications. 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 leases of 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 by the Group.

Other than certain requirements which are also applicable to lessors, 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 2018, the Group has non-cancellable operating lease commitments of approximately RMB641,000 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. The Group expects to adopt HKFRS 16 using a modified retrospective approach where the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings and comparatives are not restated. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the results and the net financial position 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 3)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" if the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control of the goods or service may be transferred over time or at a point in time. Revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 3) (Continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

The Group recognises revenue from the following goods and services:

(i) Sales of goods

The Group manufactures and sells inflatable products and related accessories. Revenue is recognised when the control of the products are considered to have been transferred to the customers.

Revenue from the sales of products is recognised when control of the products has transferred, being at the point the products are delivered to the customers and the customers have full discretions to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Revenue from these sales is recognised based on the price specified in the contract, net of returns and value added taxes.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

A contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. The Group recognised its contract liabilities under trade and other payables as receipt in advance from customers in the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 3) (Continued)

(ii) Provision of sub-contracting services

Revenue from providing services is recognised in the accounting period in which the services are rendered.

Revenue from provision of sub-contracting services is recognised based on the actual service provided.

Revenue recognition (prior to 1 January 2018)

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (prior to 1 January 2018) (Continued)

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.

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 arising on the settlement of monetary items, and on the retranslation of 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purpose 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 rate 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 recognise 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

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).

The recoverable amount of tangible and intangible assets are estimated individually, 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. 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 market place.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 3)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group‘s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individual and/or collectively using a provision matrix with appropriate groupings which is adjusted for forward-looking estimates.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instruments as at the reporting date with the risk of a default occurring on the financial instruments as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instruments’ external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 3) (Continued)

(i) Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 3) (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery or in the case of trade receivables when the amounts are over two year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis.

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables from property management services, lease receivables and loan receivables where the corresponding adjustment is recognised through a loss allowance account.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

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.

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. 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.

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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 a group entity 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 in its entirety, 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 expire. 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 the expected credit losses which use a lifetime expected loss allowance for all trade receivables. The loss allowances for trade receivables are based on assumptions about risk of default and expected loss rates. The Group use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the client's past history collection record, existing market conditions as well as forward looking estimates at the end of each reporting period. Management reassesses the provision at the end of each reporting period.

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 may 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.

Disaggregation of revenue from contracts with customers

For the year ended 31 December 2018

Disaggregated by major products and services

	RMB'000
Inflatable playgrounds with air blowers	168,758
Other inflatable products	10,538
Inflatable products related accessories and sub-contracting work	13,681
	192,977

Timing of revenue recognition

	RMB'000
A point of time	192,977

The Group's contract with customers for the sale of inflatable products and related accessories, and for the provision of sub-contracting services include only one single performance obligation. The Group has concluded that revenue from sale of inflatable products and related accessories and from provision of sub-contracting services should be recognised at the point of time when a customer obtains control of goods and services. The Group has concluded that the initial application of HKFRS 15 does not have a significant impact on the Group's revenue recognition.

Revenue

	2018 **RMB'000**	2017 RMB'000 (Note)
Revenue from customer		
– Sales of inflatable products and related accessories	**191,530**	176,500
– Sub-contracting income	**1,447**	310
	192,977	176,810

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18.

6. REVENUE AND SEGMENT INFORMATION (Continued)

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.

	2018 RMB'000	2017 RMB'000
Revenue from external customers:		
– China	**42,694**	43,148
– Europe	**39,776**	44,909
– Australia and Oceania	**11,937**	15,816
– North America	**19,053**	23,917
– Asia	**74,492**	46,108
– Central and South America	**4,693**	2,580
– Africa	**332**	332
	192,977	176,810

Information about major customers

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

	2018 RMB'000	2017 RMB'000
Customer A	**N/A[1]**	23,283
Customer B	**52,829**	24,484

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

Transaction price allocated to the remaining performance obligation for contracts with customers

All of the Group's remaining performance obligations for contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

7. OTHER INCOME AND GAINS

	2018 RMB'000	2017 RMB'000
Interest income on bank deposits	**86**	24
Grants and subsidies *(Note)*	**1,149**	400
Others	**198**	66
	1,433	490

Note: Grants and subsidies mainly consist of gross grants and subsidies by local governments in relation to corporate development, new and high technology development, 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

	2018 RMB'000	2017 RMB'000
Current tax		
Hong Kong Profits Tax		
– Current tax	**1,625**	1,312
– Over-provision in prior year	**(43)**	–
PRC Enterprise Income Tax		
– Current tax	**2,896**	2,257
– (Over)/under-provision in prior year	**(1,101)**	593
Deferred tax *(Note 20)*	**200**	261
Total income tax recognised in profit or loss	**3,577**	4,423

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Group is subjected to Hong Kong Profits Tax at a rate of 16.5% for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years, unless preferential rate is applicable. A wholly-owned subsidiary of the Company located in the Zhongzhan Zone is registered as a New and High Technology Enterprise and is entitled to the preferential corporate income tax rate of 15% for a period of 3 years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. INCOME TAX EXPENSE (Continued)

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:

	2018 RMB'000	2017 RMB'000
Profit before tax	**24,839**	13,972
Tax at PRC Enterprise Income Tax rate of 15% (2017: 25%) *(Note)*	**3,725**	3,493
Tax effect of expenses not deductible for tax purpose	**251**	624
Tax effect of non-taxable income	**(42)**	(40)
Tax concession	**(17)**	–
Withholding tax on undistributed profits	**701**	447
(Over)/under-provision in prior year	**(1,144)**	593
Effect of different tax rates of group entities operating in different jurisdictions	**103**	(694)
Income tax expense for the year	**3,577**	4,423

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:

	2018 **RMB'000**	2017 RMB'000
Auditors' remuneration	**524**	478
Cost of inventories recognised as an expense	**144,139**	135,790
Depreciation of property, plant and equipment *(Note (i))*	**1,637**	1,691
Amortisation of intangible assets	**108**	111
Net foreign exchange losses	**135**	1,525
Listing expenses	**–**	1,840
Operating lease payments in respect of rented premises *(Note (ii))*	**5,571**	5,374
Employee benefits expense (including directors' emoluments *(Note 10)*):		
Salaries, wages and other benefits	**32,729**	30,788
Contribution to retirement benefits schemes	**3,020**	1,385
Total employee benefits expense *(Note (iii))*	**35,749**	32,173

Notes:

(i) Depreciation of property, plant and equipment amounting to approximately RMB1,400,000 (2017: RMB1,432,000) are capitalised in inventories and amounting to approximately RMB237,000 (2017: RMB259,000) are included in administrative expenses.

(ii) Operating lease payments amounting to approximately RMB4,283,000 (2017: RMB4,083,000) are capitalised in inventories and amounting to approximately RMB1,288,000 (2017: RMB1,291,000) are included in administrative expenses, of which approximately RMB470,000 (2017: RMB426,000) relating to staff quarter are included in employee benefits expense disclosed above.

(iii) Total employee benefits expense amounting to approximately RMB26,664,000 (2017: RMB24,446,000) are capitalised in inventories; amounting to approximately RMB1,545,000 (2017: RMB1,719,000) are included in distribution and selling expenses; and amounting to approximately RMB7,540,000 (2017: RMB6,008,000) 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
2018					
Executive directors					
Mr. Huang Xiaodong ("Mr. Huang")	**101**	**240**	**100**	**1**	**442**
Mr. Xiao Jiansheng ("Mr. Xiao")	**68**	**204**	**100**	**1**	**373**
Non-executive director					
Mr. Lee Kin Kee	**202**	**–**	**–**	**–**	**202**
Independent non-executive directors					
Mr. Mao Guohua *(Note (i))*	**51**	**–**	**–**	**–**	**51**
Mr. Gan Minqing *(Note (i))*	**51**	**–**	**–**	**–**	**51**
Mr. Ho Hin Chung *(Note (ii))*	**14**	**–**	**–**	**–**	**14**
Mr. Chu Wai Wa Fangus *(Note (iii))*	**189**	**–**	**–**	**–**	**189**
	676	**444**	**200**	**2**	**1,322**
2017					
Executive directors					
Mr. Huang	104	240	105	1	450
Mr. Xiao	70	204	100	1	375
Non-executive director					
Mr. Lee Kin Kee	17	–	–	–	17
Independent non-executive directors					
Mr. Mao Guohua *(Note (i))*	4	–	–	–	4
Mr. Gan Minqing *(Note (i))*	4	–	–	–	4
Mr. Chu Wai Wa Fangus *(Note (iii))*	17	–	–	–	17
	216	444	205	2	867

Notes:

(i) Mr. Mao Guohua and Mr. Gan Minqing were appointed as independent non-executive directors of the Company on 20 June 2017.

(ii) Mr. Ho Hin Chung was appointed as independent non-executive director of the Company on 7 December 2018.

(iii) Mr. Chu Wai Wa Fangus was appointed as independent non-executive director of the Company on 20 June 2017 and resigned on 7 December 2018.

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 2018 (2017: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments, two (2017: 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 (2017: three) highest paid individuals are as follows:

	2018	2017
	RMB'000	RMB'000
Salaries and other benefits in kind *(note)*	**1,051**	964
Contributions to retirement benefits schemes	**29**	30
	1,080	994

Note: Amounts included discretionary bonuses of approximately RMB85,000 (2017: RMB103,000).

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

During the year ended 31 December 2018, 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 (2017: Nil).

12. DIVIDENDS

	2018 RMB'000	2017 RMB'000
Dividends recognised as distribution	–	6,112

The dividends of HK$7,000,000 (equivalent to approximately RMB6,112,000) declared and paid for the year ended 31 December 2017 represented the dividends paid by the 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.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of HK0.75 cents (2017: Nil) per ordinary share, in an aggregate amount of HK$6,000,000 (2017: Nil), has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

13. EARNINGS PER SHARE

	2018 RMB'000	2017 RMB'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**21,262**	9,549

	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**800,000**	688,219

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 ended 31 December 2017 and the effect of share offer by the Company as set out in note 21.

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 2018 and 2017.

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 2017	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
Additions	–	1,203	–	–	10	1,213
Disposals	–	(405)	(400)	–	–	(805)
Effect of foreign exchange differences	2	–	–	1	1	4
Balance at 31 December 2018	6,953	12,734	768	266	1,925	22,646
Accumulated depreciation						
Balance at 1 January 2017	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
Depreciation expense	649	910	39	3	36	1,637
Eliminated on disposals	–	(30)	(360)	–	–	(390)
Effect of foreign exchange differences	2	–	–	1	–	3
Balance at 31 December 2018	5,924	7,794	641	233	1,660	16,252
Carrying amounts						
Balance at 31 December 2018	**1,029**	**4,940**	**127**	**33**	**265**	**6,394**
Balance at 31 December 2017	1,678	5,022	206	36	290	7,232

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 2017	219	844	1,063
Additions	72	283	355
Balance at 31 December 2017	291	1,127	1,418
Additions	23	16	39
Balance at 31 December 2018	314	1,143	1,457
Accumulated amortisation			
Balance at 1 January 2017	169	478	647
Amortisation expense	24	87	111
Balance at 31 December 2017	193	565	758
Amortisation expense	22	86	108
Balance at 31 December 2018	215	651	866
Carrying amounts			
Balance at 31 December 2018	**99**	**492**	**591**
Balance at 31 December 2017	98	562	660

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

Patents	10 years
Trademarks	10 years

16. INVENTORIES

	2018 **RMB'000**	2017 RMB'000
Raw materials	**12,383**	9,582
Work in progress	**10,258**	4,973
Finished goods	**8,914**	12,045
	31,555	26,600

17. TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	**59,430**	36,863
Less: Allowance for credit losses	**(2,876)**	–
	56,554	36,863
Value-added tax refundable	**4,194**	3,649
Deposit paid	**1,116**	1,208
Other receivables and prepayment	**2,304**	1,561
	64,168	43,281
Analysed for reporting purposes:		
Current assets	**64,168**	42,921
Non-current assets	**–**	360
	64,168	43,281

The following is an analysis of trade receivables by age, net of allowance for credit losses, presented based on the invoice date:

	2018 RMB'000	2017 RMB'000
0-30 days	**41,445**	19,483
31-60 days	**14,025**	10,420
61-90 days	**1,061**	6,467
91-120 days	**23**	336
121-365 days	**–**	157
	56,554	36,863

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 2018, trade receivables of approximately RMB56,392,000 (2017: RMB30,201,000) are neither past due nor impaired and relate to a number of independent customers with good settlement history and no default on settlement had been noted.

17. TRADE AND OTHER RECEIVABLES (Continued)

At 31 December 2017, trade receivables that 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 RMB'000
Overdue by:	
1-30 days	6,169
31-60 days	–
61-90 days	336
91-120 days	157
121-365 days	–
	6,662

Starting from 1 January 2018, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for trade receivables. To measure the expected credit losses, these receivables have been grouped based on same credit risk characteristics. See note 26 for further information about expected credit loss provision.

As at 31 December 2018, the allowance for credit losses included impaired trade receivables of approximately RMB2,523,000 that were default in payment and the management considers that such trade receivables are credit impaired. As a consequence, allowance for credit losses of approximately RMB2,523,000 has been recognised in respect of such trade receivables.

Movement in the provision for impairment of trade receivables are as follows:

	Lifetime ECL (not credit-impaired) RMB'000	**Lifetime ECL (credit-impaired) RMB'000**	**Total RMB'000**
At 31 December 2017 under HKAS 39	**–**	**–**	**–**
Effect of HKFRS 9	**727**	**–**	**727**
At 1 January 2018 (upon initial application of HKRS 9)	**727**	**–**	**727**
Net impairment losses recognised	**(386)**	**2,421**	**2,035**
Exchange differences	**12**	**102**	**114**
At 31 December	**353**	**2,523**	**2,876**

18. CASH AND BANK BALANCES

	2018 RMB'000	2017 RMB'000
Cash and bank balances	**9,848**	37,272
Short-term bank deposit with original maturity more than 3 months	**8,782**	–
	18,630	37,272

Cash at banks earn interest at floating rates based on daily bank deposit rates. The short-term bank deposit carried fixed interest rate at 2.3% per annum with original maturity over 3 months (2017: Nil). As at 31 December 2018, the Group's cash and bank balances with an aggregate amount of approximately RMB1,341,000 (2017: RMB972,000) 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

	2018 RMB'000	2017 RMB'000
Trade payables	**21,446**	35,960
Receipt in advance	**–**	2,824
Contract liability	**2,709**	–
Accrued salaries and other benefits *(Note)*	**2,746**	4,740
Other payables and accruals	**1,718**	2,266
	28,619	45,790

Note:

Accrued salaries and other benefits disclosed above included emoluments payable to the executive directors of the Company amounting to approximately RMB37,000 (2017: RMB242,000) as at 31 December 2018.

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

	2018 RMB'000	2017 RMB'000
0-30 days	**12,843**	13,250
31-60 days	**6,186**	12,723
61-90 days	**1,310**	4,915
91-120 days	**955**	2,913
121-365 days	**17**	2,050
Over 365 days	**135**	109
	21,446	35,960

The trade payables are non-interest bearing.

19. TRADE AND OTHER PAYABLES (Continued)

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities:

	Receipt in advance for sale of inflatable products and related accessories RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**2,011**

20. DEFERRED TAXATION

	ECL provision RMB'000	**Accelerated tax depreciation** RMB'000	**Withholding tax on undistributed profits** RMB'000	**Total** RMB'000
Balance at 1 January 2017	–	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)
Effect of HKFRS 9	127	–	–	127
Balance at 1 January 2018	127	956	(1,069)	14
Credited/(charged) to profit or loss *(Note 8)*	328	173	(701)	(200)
Exchange differences	20	–	–	20
Balance at 31 December 2018	475	1,129	(1,770)	(166)

	2018 **RMB'000**	2017 RMB'000
Analysed for reporting purpose as:		
Deferred tax assets	**1,604**	956
Deferred tax liabilities	**(1,770)**	(1,069)
	(166)	(113)

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

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 2017 *(Note (i))*	38,000,000	380
Increase in authorised share capital *(Note (ii))*	962,000,000	9,620
At 31 December 2017 and 2018	**1,000,000,000**	**10,000**

	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 2017 *(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 and 2018	**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 GEM.

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.

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.

23. SHARE OPTION SCHEME (Continued)

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 years ended 31 December 2017 and 2018. There was no outstanding share options as at 31 December 2017 and 2018.

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 RMB3,020,000 (2017: RMB1,385,000) for the year ended 31 December 2018 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, and 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 issuance of new shares, raise of borrowings and repayment of existing borrowings.

26. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018	2017
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including cash and bank balances)	**80,908**	79,393
Financial liabilities		
Amortised cost	**25,910**	42,966

(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.

26. FINANCIAL INSTRUMENTS (Continued)

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

Foreign currency risk management

For the year ended 31 December 2018, approximately 78% (2017: 79%) 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:

	2018	2017
	RMB'000	RMB'000
Assets		
US$	**53,315**	18,417
Liabilities		
US$	**3,410**	3,325

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.

Interest rate risk management

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing financial assets. The Group is exposed to cash flow interest rate risk in relation to its variable-rates bank deposits and fair value interest rate risk in relation to its fixed-rate short-term bank deposit. The management considers that the exposure to interest rate risk on variable-rates bank deposits is insignificant as interest rates on bank deposits are relatively low and not expected to change significantly. The fixed-rate instruments of the Group are insensitive to any change in market interest rates. 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.

26. FINANCIAL INSTRUMENTS (Continued)

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

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, 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 performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on its financial assets. In this regard, management considers that the Group's credit risk is significantly reduced.

The tables below detail the credit risk exposures of the Group's financial assets and lease receivables which are subject to ECL assessment:

2018	Notes	12m or life-time ECL	Gross carrying amounts RMB'000	Loss allowance RMB'000	Net carrying amounts RMB'000
Trade receivables	17	Life-time ECL (provision matrix)	56,907	(353)	56,554
		Credit impaired	2,523	(2,523)	–
Other receivables	17	12m ECL	5,724	-	5,724
Bank balances	18	12m ECL	18,598	-	18,598

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix. The expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

On that basis, the loss allowance as at 31 December 2018 was determined as follows for trade receivables:

	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.6%	56,736	344
1-30 days past due	5.4%	168	9
31-60 days past due	0.6%	3	–
61-90 days past due	0.6%	–	–
More than 90 days past due	100%	2,523	2,523
		59,430	**2,876**

26. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk management (Continued)

The Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on other receivables and bank balances based on 12m ECL.

The credit risk on other receivables is limited because the counterparties have no historical default record and the directors expect that the general economic conditions will not significantly changed for the 12 months after the reporting date.

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 2018, trade receivables that are due from the Group's largest five customers approximate to 72.6% (2017: 73.7%).

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.

	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 2018				
Trade and other payables	**25,910**	**–**	**25,910**	**25,910**
At 31 December 2017				
Trade and other payables	42,966	–	42,966	42,966

(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:

	2018	2017
	RMB'000	RMB'000
Within one year	**641**	689
In the second to fifth years inclusive	**–**	265
	641	954

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.

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:

	2018	2017
	RMB'000	RMB'000
Salaries and other benefits	**1,828**	1,773
Contributions to retirement benefits schemes	**31**	32
	1,859	1,805

29. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	2018 RMB'000	2017 RMB'000
Non-current assets		
Investment in a subsidiary	**26,344**	26,344
Current assets		
Prepayments	**263**	125
Amount due from a subsidiary	**15,820**	–
Cash and bank balances	**126**	30,472
	16,209	30,597
Total assets	**42,553**	56,941
Current liabilities		
Other payable and accruals	**–**	31
Amount due to a subsidiary	**–**	13,710
	–	13,741
Net current assets	**16,209**	16,856
Total assets less current liabilities	**42,553**	43,200
Net assets	**42,553**	43,200
Capital and reserves		
Equity attributable to owners of the Company		
Share capital	**6,969**	6,969
Reserves	**35,584**	36,231
Total equity	**42,553**	43,200

The Company's statement of financial position were approved and authorised for issue by the board of directors on 22 March 2019 and signed on its behalf:

Mr. Huang Xiaodong	**Mr. Xiao Jiansheng**
Director	*Director*

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

Note:

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

	Share premium	**Special reserve**	**Foreign currency translation reserve**	**Accumulated losses**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2017	–	–	(630)	(8,310)	(8,940)
Loss for the year	–	–	–	(2,069)	(2,069)
Other comprehensive expense 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
Loss for the year	–	–	–	(1,496)	(1,496)
Other comprehensive income for the year	–	–	849	–	849
Balance at 31 December 2018	**26,558**	**20,392**	**509**	**(11,875)**	**35,584**

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 2018 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 five financial years, as extracted from the audited consolidated financial statements and the Prospectus, is set out below.

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**192,977**	176,810	172,347	168,802	174,809
Gross profit	**48,838**	41,020	38,921	32,027	30,333
Profit before tax	**24,839**	13,972	14,683	10,536	8,180
Income tax expense	**(3,577)**	(4,423)	(5,258)	(3,174)	(2,411)
Profit for the year	**21,262**	9,549	9,425	7,362	5,769

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES					
Total assets	**122,942**	116,001	83,961	71,707	91,360
Total liabilities	**(32,660)**	(47,734)	(46,540)	(43,601)	(70,612)
Total equity	**90,282**	68,267	37,421	28,106	20,748