



合寶豐年
ALPHA ERA

ALPHA ERA INTERNATIONAL HOLDINGS LIMITED

合寶豐年控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8406

**INTERIM
REPORT
2019**

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

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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Lee Kin Kee

Independent non-executive Directors

Mr. Mao Guohua
Mr. Gan Mingqing
Mr. Ho Hin Chung

BOARD COMMITTEES

Audit Committee

Mr. Ho Hin Chung (*Chairman*)
Mr. Mao Guohua
Mr. Gan Mingqing

Remuneration Committee

Mr. Gan Mingqing (*Chairman*)
Mr. Xiao Jiansheng
Mr. Mao Guohua
Mr. Ho Hin Chung

Nomination Committee

Mr. Mao Guohua (*Chairman*)
Mr. Xiao Jiansheng
Mr. Gan Mingqing
Mr. Ho Hin Chung

COMPLIANCE OFFICER

Mr. Xiao Jiansheng

AUTHORISED REPRESENTATIVES

Mr. Huang Xiaodong
Mr. Wan Hon Keung (CPA)

COMPANY SECRETARY

Mr. Wan Hon Keung (CPA)

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEAD OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITORS

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



LEGAL ADVISER

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 54, Hopewell Centre
183 Queen's Road East, Hong Kong

PRINCIPAL BANKERS

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

STOCK CODE

8406

COMPANY'S WEBSITE

www.alpha-era.co

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

For the three months and six months ended 30 June 2019

The unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2019, together with the comparative figures for the corresponding periods in 2018, are as follows:

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2019	2018	2019	2018
		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue	5	50,460	25,208	97,210	62,512
Cost of sales		(40,046)	(19,987)	(76,728)	(49,507)
Gross profit		10,414	5,221	20,482	13,005
Other income and gains	6	328	540	359	564
Distribution and selling expenses		(2,363)	(2,147)	(5,236)	(3,948)
Administrative expenses		(3,753)	(2,759)	(8,083)	(7,140)
Profit before tax		4,626	855	7,522	2,481
Income tax expense	7	(1,148)	(141)	(1,750)	(356)
Profit for the period	8	3,478	714	5,772	2,125
Other comprehensive income, net of income tax					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		1,061	1,232	330	358
Other comprehensive income for the period		1,061	1,232	330	358
Total comprehensive income for the period		4,539	1,946	6,102	2,483
		RMB cents	RMB cents	RMB cents	RMB cents
Earnings per share					
– Basic and diluted	9	0.43	0.09	0.72	0.27

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Non-current assets			
Property, plant & equipment	11	7,708	6,394
Intangible assets	12	597	591
Deferred tax assets		1,691	1,604
		9,996	8,589
Current assets			
Inventories		36,304	31,555
Trade and other receivables	13	31,939	64,168
Cash and bank balances		36,421	18,630
		104,664	114,353
Total assets		114,660	122,942
Current liabilities			
Trade and other payables	14	19,760	28,619
Current tax liabilities		1,733	2,271
		21,493	30,890
Net current assets		83,171	83,463
Total assets less current liabilities		93,167	92,052
Non-current liabilities			
Deferred tax liabilities		2,021	1,770
Net assets		91,146	90,282
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	15	6,969	6,969
Reserves		84,177	83,313
		91,146	90,282

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to the owners of the Company						Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Statutory reserve RMB'000	Foreign currency translation reserve RMB'000	Retained profit RMB'000	
Balance at 1 January 2019 (Audited)	6,969	26,558	17,429	4,866	1,008	33,452	90,282
Profit for the period	-	-	-	-	-	5,772	5,772
Other comprehensive income for the period	-	-	-	-	330	-	330
Total comprehensive income for the period	-	-	-	-	330	5,772	6,102
Final dividend for the year ended 31 December 2018	-	-	-	-	-	(5,238)	(5,238)
Balance at 30 June 2019 (Unaudited)	6,969	26,558	17,429	4,866	1,338	33,986	91,146
Balance at 1 January 2018 (Audited)	6,969	26,558	17,429	3,318	(345)	14,338	68,267
Profit for the period	-	-	-	-	-	2,125	2,125
Other comprehensive income for the period	-	-	-	-	358	-	358
Total comprehensive income for the period	-	-	-	-	358	2,125	2,483
Balance at 30 June 2018 (Unaudited)	6,969	26,558	17,429	3,318	13	16,463	70,750

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Cash flows from operating activities		
Profit before tax	7,522	2,481
Adjustment for:		
Depreciation of property, plant and equipment	853	813
Amortisation of intangible assets	52	58
Interest income	(217)	(6)
Gain on disposal of property, plant & equipment, net	(8)	(122)
	8,202	3,224
Movements in working capital		
(Increase)/decrease in inventories	(4,499)	818
Decrease in trade and other receivables	32,229	16,447
Decrease in trade and other payables	(8,859)	(25,701)
Cash generated from/(used in) operations	27,073	(5,212)
Income taxes paid	(2,136)	(478)
Net cash generated by/(used in) operating activities	24,937	(5,690)
Cash flows from investing activities		
Interest received	217	6
Payments for property, plant and equipment	(2,175)	(291)
Proceeds from disposal of property, plant and equipment	16	487
Payments for intangible assets	(58)	(23)
Net cash (used in)/generated by investing activities	(2,000)	179
Cash flows from financing activities		
Dividends paid	(5,238)	–
Net cash used in financing activities	(5,238)	–
Net increase/(decrease) in cash and cash equivalents	17,699	(5,511)
Cash and cash equivalents at the beginning of period	18,630	37,272
Effect of foreign exchange rate changes, net	92	309
Cash and cash equivalents at the end of the period	36,421	32,070

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 3 November 2015. The shares of the Company (the “**Shares**”) have been listed on the GEM with effect from 7 December 2017. Its parent and ultimate holding company is Nonton Limited (“**Nonton**”), a company incorporated in the British Virgin Islands (“**BVI**”) with limited liability and wholly-owned by Mr. Lee King Sun (“**Mr. Lee**”).

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

The Company is an investment holding company. The Group is principally engaged in the manufacturing and sales of inflatable products and related accessories. Items included in the financial statements of each of the Group’s subsidiaries are measured using the currency of the primary economic environment in which the respective entity operates (the “**functional currency**”). The functional currency of the Company is Hong Kong dollars (“**HK\$**”). The unaudited condensed consolidated financial statements are presented in Renminbi (“**RMB**”), rounded to the nearest thousand, which is different from the functional currency of the Company as the Group’s dominated operations are substantially based in the People’s Republic of China (the “**PRC**”).

2. BASIS OF PREPARATION

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

The Group has applied the following new and amendments to HKFRSs and interpretation issued by the HKICPA for the first time during the six months ended 30 June 2019 (the “**Period**”):

HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Venture
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

3. ESTIMATES

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements as at 31 December 2018.

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

4.2 Liquidity risk

Compared to year end, there have been no material changes to the policies and practices for the Group's liquidity and funding risks management as described in the consolidated financial statements for the year ended 31 December 2018.

4.3 Fair value estimation

As at 31 December 2018 and 30 June 2019 the Group did not have any financial assets or financial liabilities that are measured at fair value.

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

5. REVENUE AND SEGMENT INFORMATION

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and performance assessment. On this basis, the Group's revenue by segment are as follows:

Revenue

	For the three months ended 30 June		For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Sales of inflatable products and related accessories	49,030	24,653	95,780	61,192
Sub-contracting income	1,430	555	1,430	1,320
	50,460	25,208	97,210	62,512

Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of revenue is based on the locations of the customers.

	For the three months ended 30 June		For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue from external customers				
– China	5,148	5,455	6,960	10,684
– Europe	13,052	7,050	26,522	24,469
– Australia and Oceania	1,939	1,677	2,544	2,926
– North America	10,441	7,211	14,534	11,108
– Asia	18,525	2,705	44,876	11,619
– Central and South America	1,310	813	1,729	1,374
– Africa	45	297	45	332
	50,460	25,208	97,210	62,512

6. OTHER INCOME AND GAINS

	For the three months ended 30 June		For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Interest income on bank deposits	214	3	217	6
Grants and subsidies	–	415	19	415
Others	114	122	123	143
	328	540	359	564

7. INCOME TAX EXPENSE

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

	For the three months ended 30 June		For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Current tax for the Period				
Hong Kong Profits Tax	520	193	1,011	307
PRC Enterprise Income Tax	526	(25)	576	101
Deferred tax	102	(27)	163	(52)
Total income tax recognised in profit or loss	1,148	141	1,750	356

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 passed as laws in Hong Kong 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 subject to Hong Kong Profits Tax at a rate of 16.5%.

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 Zhongshan 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. PROFIT FOR THE PERIOD

Profit for the Period has been arrived at after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Cost of inventories recognised as an expense	40,046	19,987	76,728	49,507
Depreciation of property, plant and equipment	431	409	853	813
Amortisation of intangible assets	26	28	52	58
Net foreign exchange losses	–	–	509	189
Operating lease payments	1,403	1,36	2,777	2,737
Employee benefits expense (including directors' emoluments)				
Salaries, wages and other benefits	9,455	7,163	17,985	15,336
Contribution to retirement benefits schemes	907	745	1,689	1,497
Total employee benefits expense	10,362	7,908	19,674	16,833

9. EARNINGS PER SHARE

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

	For the three months ended 30 June		For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Earnings				
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	3,478	714	5,772	2,125
Number of shares	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	800,000	800,000	800,000	800,000

The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 June 2019 and 30 June 2018 were derived from 800,000,000 ordinary shares in issue during the periods.

The diluted earnings per share is equal to the basic earnings per share as there is no dilutive potential ordinary share in issue during the six months ended 30 June 2019 and 30 June 2018.

10. DIVIDENDS

During the six months ended 30 June 2019, a final dividend of HK0.75 cents per ordinary share in respect of the year ended 31 December 2018 totaling approximately HK\$6,000,000 (equivalent to approximately RMB5,238,000) was declared and paid to the shareholders of the Company.

The board of Directors (the "Board") does not recommend the payment of any interim dividend for the six months ended 30 June 2019. (2018: Nil)

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvement RMB'000	Plant and Machinery RMB'000	Motor Vehicle RMB'000	Furniture and Equipment RMB'000	Computer Equipment RMB'000	Total RMB'000
Unaudited						
Cost						
Balance at 31 January 2019	6,953	12,734	768	266	1,925	22,646
Additions	1,105	1,061	–	–	9	2,175
Disposals	–	(80)	–	–	–	(80)
Effect of foreign exchange difference	–	–	–	–	–	–
Balance at 30 June 2019	8,058	13,715	768	266	1,934	24,741
Accumulated depreciation						
Balance at 31 January 2019	5,924	7,794	641	233	1,660	16,252
Depreciation expense	324	488	20	2	19	853
Eliminated on disposals	–	(72)	–	–	–	(72)
Effect of foreign exchange difference	–	–	–	–	–	–
Balance at 30 June 2019	6,248	8,210	661	235	1,679	17,033
Carrying amounts						
Balance at 30 June 2019	1,810	5,505	107	31	255	7,708
Balance at 31 December 2018	1,029	4,940	127	33	265	6,394

12. INTANGIBLE ASSETS

During the Period, the Group spent approximately RMB58,000 on acquisition of intangible assets (2018: approximately RMB23,000).

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Trade receivables	17,462	59,430
Less: Allowance for credit losses	(2,879)	(2,876)
	14,583	56,554
Value-added tax refundable	2,060	4,194
Deposit paid	1,076	1,116
Other receivables and prepayment	14,220	2,304
	31,939	64,168

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

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

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
0-30 days	11,235	41,445
31-60 days	2,914	14,025
61-90 days	434	1,061
91-120 days	-	23
121-365 days	-	-
	14,583	56,554

14. TRADE AND OTHER PAYABLES

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Trade payables	10,834	21,446
Contract liability	3,549	2,709
Accrued salaries and other benefits	3,077	2,746
Other payables and accruals	2,300	1,718
	19,760	28,619

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

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

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
0-30 days	2,725	12,843
31-60 days	2,970	6,186
61-90 days	3,640	1,310
91-120 days	640	955
121-365 days	782	17
Over 365 days	77	135
	10,834	21,446

15. SHARE CAPITAL

The share capital balance as at 30 June 2019 in the unaudited condensed consolidated statement of financial position represented the issued share capital of the Company. Details of the authorised and issued and fully paid share capital of the Company are summarised as follows:

	Number of ordinary shares	Share capital HK\$'000	Share capital RMB'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 31 December 2018 and 30 June 2019	1,000,000,000	10,000	
Issued and fully paid:			
At 31 December 2018 and 30 June 2019	800,000,000	8,000	6,969

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

The results of the Group improved significantly in the first half of 2019 as compared with the corresponding period of 2018. The revenue increased by approximately RMB34,698,000 or 55.5% over the corresponding period of 2018 mainly attributable to major US customers started concentrated shipment before the tariff increased, and the Group's adjusted sales strategies resulted in a good performance in markets outside the United States. The gross profit margin remained relatively stable at approximately 21.1% (2018: 20.8%) during the Period.

The profit for the Period was approximately RMB5,772,000 which increased by approximately RMB3,647,000 or 171.6% as compared to the profit for the six months ended 30 June 2018.

Looking forward to the second half of the year, the Group plans to start production and sales of a new generation of electronic interactive inflatable products and electronic interactive systems for inflatable products, which are expected to bring considerable revenue and high gross profit margin to the Group.

FINANCIAL REVIEW

Revenue

The Group's revenue was approximately RMB97,210,000 for the Period, representing an increase of RMB34,698,000 or 55.5% as compared to the revenue for the corresponding period in 2018 (2018: RMB62,512,000). Revenue from the sales of inflatable playgrounds with air blowers for the Period was approximately RMB86,770,000 (2018: RMB53,315,000), increased by RMB33,455,000 or 62.7% compared with the corresponding period in 2018, which accounted for approximately 89.3% of the total revenue (2018: 85.3%); revenue from the sales of other inflatable products for the Period was approximately RMB1,842,000 (2018: RMB2,259,000), decreased by RMB417,000 or 18.5% compared with the corresponding period in 2018, which accounted for approximately 1.9% of the total revenue (2018: 3.6%); revenue from the sales of inflatable products related accessories and subcontracting work for the Period was approximately RMB8,598,000 (2018: RMB6,938,000), increased by RMB1,660,000 or 23.9%, which accounted for approximately 8.8% of the total revenue (2018: 11.1%).

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

Cost of sales

Cost of sales increased by approximately RMB27,221,000 of 55.0% to approximately RMB76,728,000 for the Period from approximately RMB49,507,000 for the corresponding period in 2018, which was in line with the increase in revenue.

Gross profit and gross profit margin

The Group recorded a gross profit of approximately RMB20,482,000 for the Period, an increase of approximately RMB7,477,000 or 57.5% as compared with the corresponding period in 2018 (2018: RMB13,005,000) mainly due to the increase in revenue. Gross profit margin remained relatively stable at approximately 21.1% for the Period as compared to approximately 20.8% for the corresponding period in 2018.

Other income and gains

Total other income and gains was approximately RMB359,000 for the Period, representing a decrease of approximately RMB205,000 as compared with the corresponding period in 2018 (2018: RMB564,000), mainly due to the Group recorded (i) a decrease in grants and subsidies from the PRC government of approximately RMB396,000; partially offset by (ii) an increase in interest income of approximately RMB211,000.

Distribution and selling expenses

Total distribution and selling expenses was approximately RMB5,236,000 for the Period (2018: RMB3,948,000), an increase of RMB1,288,000 or 32.6% as compared to the corresponding period in 2018. The increase was mainly resulted from: (i) increase in advertising and promotion expenses by approximately RMB585,000; and (ii) increase in freight and transportation expenses by approximately RMB800,000.

Administrative expenses

The administrative expenses was approximately RMB8,083,000 for the Period (2018: RMB7,140,000), an increase of RMB943,000 or 13.2% as compared to the corresponding period in 2018. The increase was mainly resulted from (i) increase spending in employee benefits expenses by approximately RMB475,000; (ii) increase in hospitality and travelling expenses by approximately RMB270,000; and (iii) increase in other administrative expenses by approximately RMB196,000.

Finance costs

As the Group did not have any borrowing during the Period, no finance costs was recorded for the Period (2018: Nil).

Profit for the Period

Profit for the Period was approximately RMB5,772,000, an increase of approximately RMB3,647,000 or 171.6% as compared with corresponding period in 2018 (2018: RMB2,125,000).

Dividends

The Board does not recommend the payment of any interim dividend for the Period. (2018: Nil)

Liquidity, Financial Resources, Capital Structure and Gearing Ratio

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

As at 30 June 2019, the Group's total equity attributable to the owners of the Company amounted to approximately RMB91.1 million (31 December 2018: RMB90.3 million).

The current ratio of the Group as at 30 June 2019 was approximately 4.87 as compared to that of approximately 3.70 as at 31 December 2018. The quick ratio of Group as at 30 June 2019 was approximately 3.18 as compared to that of approximately 2.68 as at 31 December 2018. Since no borrowings was outstanding as at 30 June 2019 and 31 December 2018, no gearing ratio was applicable. The Directors believe that the Group is in healthy financial position to expand its core business and to achieve its business objectives.

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

During the Period, there was no significant investment held, material acquisition and disposal of subsidiaries and associated companies by the Company. The Group did not have any plans for material investments of capital assets as at 30 June 2019.

Contingent Liabilities

As at 30 June 2019, the Group did not have any significant contingent liabilities (31 December 2018: Nil).

Pledge of Assets

As at 30 June 2019, the Group had no assets pledged for bank borrowings or for other purpose (31 December 2018: Nil).

Segment Information

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

Commitments

As at 30 June 2019, the Group had operating lease commitments for future minimum lease payments under non-cancellable operating leases for approximately RMB468,000 (31 December 2018: RMB641,000).

As at 30 June 2019, the Group did not have any significant capital commitments not provided for in the financial statements (31 December 2018: Nil).

Foreign Currency Exposure

As majority of the Group's revenue are denominated in US Dollars but the costs incurred by the Group for the production are denominated in RMB, significant fluctuation in the exchange rate between RMB against US Dollars may materially affect the business results of operations. As a result of the business expansion to overseas markets, the Group will continue to generate a significant amount of sales, assets and liabilities denominated in a currency other than RMB. In this case, the Group would be exposed to risks related to the exchange rate and the currency in which its assets and liabilities are denominated. A depreciation of RMB would require the Group to use more RMB funds to service the same amount of foreign currency liabilities, or a depreciation of foreign currency against RMB would result in receipts from receivables substantially less than the contractual amounts in terms of RMB at the settlement date.

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

Treasury Policies

The Group is exposed to credit risk primarily arising from trade receivables and bank deposits. Trade receivables are from customers with good collection track records with the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history to mitigate credit risks. No provision of doubtful debts was recognised during the six months ended 30 June 2019 and 30 June 2018 because there were subsequent settlements or no historical default of payments by the respective customers and the amounts are still considered recoverable.

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

Employees and Remuneration Policies

As at 30 June 2019, the Group had 540 full-time employees (31 December 2018: 552). Most of the employees of the Group are located in Zhongshan City, Guangdong Province, the PRC. The total employee remuneration, including remuneration of the Directors, for the six months ended 30 June 2019 amounted to approximately RMB19,674,000 (2018: RMB16,833,000).

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

Comparison of Business Objectives with Actual Business Progress

The following is a comparison of the Group's business plan as set out in the prospectus of the Company dated 23 November 2017 (the "Prospectus") with actual business progress up to 30 June 2019.

Business plan as set in the Prospectus

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
- Improve manufacturing for the products
- Register trademarks and patents for the new product design and new corporate trademark

Expand production capacity

- Acquire new production facility or machinery
- Upgrade production facility or machinery for the existing production line

Attract and retain quality personnel

- Provide continuous structured training track to motivate and incentivise the staff

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

- Expand the wholesale distribution network
- Strengthen marketing efforts such as placing of advertisements and participating in more exhibitions to explore new business opportunities

Progress up to 30 June 2019

Five newly developed smaller inflatable playgrounds and four newly designed inflatable tents enhances comprehensiveness and product mix in the Group's product range

Improved the production efficiency of 20 products in the catalogue by further optimising the product mix

In the first half of 2019, two trademarks were applied and eight patents were applied by the Group, including three in the PRC and five in overseas

Purchased new computer sewing machine, twin needle sewing machine and high post sewing machine totaling approximately RMB1.05 million, greatly increasing existing production capacity to meet production needs

Re-integrated four production lines to 193 meters long, optimising production processes and improving production efficiency

Arranged for employees to participate in enterprise production safety management training and quality control standard training

Replaced new agents in the United Kingdom and the Middle East, adding new agents in Spain to expand sales network

Actively participated in major professional exhibitions and advertising and established business relationships with more than 20 new customers, increasing the turnover of more than US\$1 million in the first half of 2019

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 (the "Listing") through a share offer of 120,000,000 shares of HK\$0.01 each in the share capital of the Company at the price of HK\$0.315 per share, after deduction of the related underwriting fees, professional service fees and issuance expenses paid by the Group in connection thereto, were approximately HK\$20.7 million.

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

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

	Planned use of proceeds up to 30 June 2019 HK\$'000	Actual use of proceeds balance up to 30 June 2019 HK\$'000
Expand and enhance the product offerings	4,371	3,316
Expand production capacity	5,464	3,157
Attract and retain quality personnel	3,497	4,072
Increase marketing effort, expand distribution network and explore new business opportunities	3,496	4,072
General working capital	1,077	1,077
Total	17,905	15,694

The remaining unutilised net proceeds as at 30 June 2019 were placed as deposits with licensed banks in Hong Kong and are currently intended to be applied in the manner consistent with the proposed allocations as set out in the Prospectus.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2019, the interests and short positions of the Directors and chief executive of the Company (the “**Chief Executive**”) in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules (the “**Required Standard of Dealings**”) or Rule 23.07 of the GEM Listing Rules are as follows:

Long positions in ordinary shares of the Company

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

Notes:

- (1) Mr. Lee Kin Kee (“**Mr. Kevin Lee**”) beneficially owns the entire share capital of Blink Wishes Limited. Therefore, Mr. Kevin Lee is deemed, or taken to be, interested in all the Shares held by Blink Wishes Limited for the purpose of the SFO.
- (2) The percentage is calculated on the basis of 800,000,000 shares in issue as at the date of this report.

Save as disclosed above, as at 30 June 2019, none of the Directors or the Chief Executive or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Required Standard of Dealings.

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

As at 30 June 2019, so far as is known to the Directors and the Chief Executive and based on the public records filed on the website of the Stock Exchange and records kept by the Company, the interest and short positions of the persons or corporations (other than the Directors and the Chief Executive) in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Long positions in ordinary shares of the Company:

Name	Capacity/Nature of interest	Number of underlying Shares	Percentage of shareholding (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 share capital of Nonton Limited. Therefore, Mr. Lee is deemed, or taken to be, interested in all the Shares held by Nonton Limited for the purpose of the SFO.
- (2) Ms. Chak Lai Hung Theresa ("**Ms. Chak**") is the spouse of Mr. Lee. Under the SFO, Ms. Chak is deemed to be interested in the same number of Shares in which Mr. Lee is interested.
- (3) Ms. Law Siu Ling ("**Ms. Law**") is the spouse of Mr. Kevin Lee. Under the SFO, Ms. Law is deemed to be interested in the same number of Shares in which Mr. Kevin Lee is interested.
- (4) The percentage is calculated on the basis of 800,000,000 shares in issue as at the date of this report.

Save as disclosed above, as at 30 June 2019, the Directors are not aware of any person or corporation (other than the Directors and the Chief Executive) who had any interest or short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

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

COMPETING AND CONFLICT OF INTERESTS

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

INTERESTS OF THE COMPLIANCE ADVISER

As at 30 June 2019, as notified by the Company's compliance adviser, Frontpage Capital Limited (the **"Compliance Adviser"**), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor its directors, employees or close associates has any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the Period.

CORPORATE GOVERNANCE CODE

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

AUDIT COMMITTEE

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

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

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

Hong Kong, 13 August 2019

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