



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

THIRD QUARTERLY REPORT

2019

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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.

FINANCIAL RESULTS

The board of Directors (the "Board") is pleased to present the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2019, together with the unaudited comparative figures for the corresponding periods in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2019

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue	3	55,806	53,250	153,016	115,762
Cost of sales		(41,844)	(40,392)	(118,572)	(89,899)
Gross profit		13,962	12,858	34,444	25,863
Other income and gains		696	949	1,055	1,513
Distribution and selling expenses		(4,089)	(2,235)	(9,325)	(6,183)
Administrative expenses		(2,966)	(3,614)	(11,049)	(10,754)
Profit before tax		7,603	7,958	15,125	10,439
Income tax expense	4	(1,426)	(1,617)	(3,176)	(1,973)
Profit for the period	5	6,177	6,341	11,949	8,466
Other comprehensive income, net of income tax					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		806	970	1,136	1,328
Other comprehensive income for the period		806	970	1,136	1,328
Total comprehensive income for the period		6,983	7,311	13,085	9,794
		RMB cents	RMB cents	RMB cents	RMB cents
Earnings per share					
– Basic and diluted	6	0.77	0.79	1.49	1.06

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2019

	Attributable to the owners of the Company						
	Share capital	Share premium	Special reserve	Statutory reserve	Foreign currency translation reserve	Retained profit	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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	-	-	-	-	-	11,949	11,949
Other comprehensive income for the period	-	-	-	-	1,136	-	1,136
Total comprehensive income for the period	-	-	-	-	1,136	11,949	13,085
Final dividend for the year ended 31 December 2018	-	-	-	-	-	(5,238)	(5,238)
Balance at 30 September 2019 (Unaudited)	6,969	26,558	17,429	4,866	2,144	40,163	98,129
Balance at 1 January 2018 (Audited)	6,969	26,558	17,429	3,318	(345)	14,338	68,267
Profit for the period	-	-	-	-	-	8,466	8,466
Other comprehensive income for the period	-	-	-	-	1,328	-	1,328
Total comprehensive income for the period	-	-	-	-	1,328	8,466	9,794
Balance at 30 September 2018 (Unaudited)	6,969	26,558	17,429	3,318	983	22,804	78,061

NOTES TO UNAUDITED CONDENSED FINANCIAL RESULTS

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 Unit 1902, 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 nine months ended 30 September 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. 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 September		For the nine months ended 30 September	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Sales of inflatable products and related accessories	54,185	53,229	149,965	114,421
Sub-contracting income	1,621	21	3,051	1,341
	55,806	53,250	153,016	115,762

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 September		For the nine months ended 30 September	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue from external customers				
– China	6,504	21,414	13,464	32,098
– Europe	1,812	2,597	28,334	27,066
– Australia and Oceania	9,266	6,535	11,810	9,461
– North America	13,420	3,275	27,954	14,383
– Asia	24,067	17,271	68,943	28,890
– Central and South America	737	2,158	2,466	3,532
– Africa	–	–	45	332
	55,806	53,250	153,016	115,762

4. INCOME TAX EXPENSE

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

	For the three months ended 30 September		For the nine months ended 30 September	
	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	538	342	1,549	649
PRC Enterprise Income Tax	692	996	1,268	1,097
Deferred tax	196	279	359	227
Total income tax recognised in profit or loss	1,426	1,617	3,176	1,973

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%.

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.

5. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Cost of inventories recognised as an expense	41,844	40,392	118,572	89,899
Depreciation of property, plant and equipment	446	404	1,299	1,218
Amortisation of intangible assets	27	25	79	83
Net foreign exchange losses	(509)	154	-	35
Operating lease payments	1,341	1,374	4,118	4,111
Employee benefits expense (including directors' emoluments)				
Salaries, wages and other benefits	9,489	7,470	27,474	22,806
Contribution to retirement benefits schemes	870	736	2,559	2,233
Total employee benefits expense	10,359	8,206	30,033	25,039

6. 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 September		For the nine months ended 30 September	
	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	6,177	6,341	11,949	8,466
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 three months and nine months ended 30 September 2019 and 30 September 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 three months and nine months ended 30 September 2019 and 30 September 2018.

7. DIVIDENDS

During the nine months ended 30 September 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 does not recommend the payment of any interim dividend for the nine months ended 30 September 2019 (2018: Nil).

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.

Benefiting from the marketing plan formulated at the beginning of this year, the Group's performance in the first three quarters has increased significantly by RMB37,254,000 or 32.2% as compared with the same period of last year. It is expected that annual turnover will gradually increase this year.

In addition, the Group will continue its development of new products during this quarter and strive to launch the new product to the market early next year. The Group believes this will have a positive impact on next year's turnover and earnings.

FINANCIAL REVIEW

Revenue

The Group's revenue was approximately RMB153,016,000 for the Period, representing an increase of RMB37,254,000 or 32.2% as compared to the revenue for the corresponding period in 2018 (2018: RMB115,762,000). Revenue from the sales of inflatable playgrounds with air blowers for the Period was approximately RMB136,252,000 (2018: RMB102,228,000), increased by RMB34,024,000 or 33.3% compared with the corresponding period in 2018, which accounted for approximately 89.0% of the total revenue (2018: 88.3%); revenue from the sales of other inflatable products for the Period was approximately RMB3,005,000 (2018: RMB2,984,000), increased by RMB21,000 or 0.7% compared with the corresponding period in 2018, which accounted for approximately 2.0% of the total revenue (2018: 2.6%); revenue from the sales of inflatable products related accessories and subcontracting work for the Period was approximately RMB13,759,000 (2018: RMB10,550,000), increased by RMB3,209,000 or 30.4%, which accounted for approximately 9.0% of the total revenue (2018: 9.1%).

An analysis of the Group's revenue for the Period by geographical location is set out in note 3 to the unaudited financial results.

Cost of sales

Cost of sales increased by approximately RMB28,673,000 or 31.9% to approximately RMB118,572,000 for the Period from approximately RMB89,899,000 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 RMB34,444,000 for the Period, representing an increase of approximately RMB8,581,000 as compared with the corresponding period in 2018 (2018: RMB25,863,000) mainly due to the increase in revenue. Gross profit margin remained relatively stable at approximately 22.5% for the Period as compared to approximately 22.3% for the corresponding period in 2018.

Other income and gains

Total other income and gains was approximately RMB1,055,000 for the Period, representing a decrease of approximately RMB458,000 or 30.3% as compared with the corresponding period in 2018 (2018: RMB1,513,000), mainly due to the Group recorded (i) a decrease in grants and subsidies from the PRC government of approximately RMB660,000; (ii) a decrease in other gains of approximately RMB326,000; partially offset by (iii) an increase in net foreign exchange gain of approximately RMB375,000; and (iv) an increase in interest income of approximately RMB153,000.

Distribution and selling expenses

Total distribution and selling expenses was approximately RMB9,325,000 for the Period (2018: RMB6,183,000), an increase of RMB3,142,000 or 50.8% as compared to the corresponding period in 2018. The increase was mainly resulted from: (i) an increase in advertising and promotion expenses of approximately RMB1,413,000; and (ii) an increase in freight and transportation expenses of approximately RMB1,640,000.

Administrative expenses

The administrative expenses was approximately RMB11,049,000 for the Period (2018: RMB10,754,000), an increase of RMB295,000 or 2.7% as compared to the corresponding period in 2018. The increase was mainly resulted from (i) an increase in spending on employee benefits expenses of approximately RMB563,000; (ii) an increase in hospitality and travelling expenses of approximately RMB267,000; partially offset by (iii) a decrease in other administrative expenses of approximately RMB204,000; and (iv) a decrease in legal and professional expenses of approximately RMB224,000.

Finance costs

No finance costs was recorded for the Period (2018: Nil).

Profit for the period

Profit for the Period was approximately RMB11,949,000, representing an increase of approximately RMB3,483,000 or 41.1% as compared with corresponding period in 2018 (2018: RMB8,466,000).

Dividends

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

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 September 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 September 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 September 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 September 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 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 September 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 (the "**Audit Committee**") was established on 20 June 2017 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 and C.3.7 of the CG Code. The Audit Committee currently comprises all three independent non-executive Directors of the Company and is chaired by Mr. 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, 8 November 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.