



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**

**2020**



## 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.

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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. Liu Zexing  
Mr. Ho Hin Chung

### BOARD COMMITTEES

#### Audit Committee

Mr. Ho Hin Chung (*Chairman*)  
Mr. Mao Guohua  
Mr. Liu Zexing

#### Remuneration Committee

Mr. Liu Zexing (*Chairman*)  
Mr. Xiao Jiansheng  
Mr. Mao Guohua  
Mr. Ho Hin Chung

#### Nomination Committee

Mr. Mao Guohua (*Chairman*)  
Mr. Xiao Jiansheng  
Mr. Liu Zexing  
Mr. Ho Hin Chung

### 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 1902, 19th Floor  
Tamsen Plaza  
161 Wai Yip Street, Kwun Tong  
Kowloon, Hong Kong

### AUDITORS

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

## **LEGAL ADVISERS AS TO HONG KONG LAW**

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

## **COMPLIANCE ADVISER**

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

## **PRINCIPAL SHARE REGISTRER AND TRANSFER OFFICE IN THE CAYMAN ISLANDS**

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

## **HONG KONG BRANCH SHARE REGISTRER AND TRANSFER OFFICE**

Tricor Investor Services Limited  
Level 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](http://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 2020

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	5	75,766	50,460	124,255	97,210
Cost of sales		(53,518)	(40,046)	(90,523)	(76,728)
Gross profit		22,248	10,414	33,732	20,482
Other income and gains	6	127	328	416	359
Distribution and selling expenses		(4,569)	(2,363)	(8,354)	(5,236)
Administrative expenses		(3,706)	(3,753)	(6,998)	(8,083)
Finance costs	7	(858)	–	(1,302)	–
Profit before tax		13,242	4,626	17,494	7,522
Income tax expense	8	(2,042)	(1,148)	(2,932)	(1,750)
Profit for the period	9	11,200	3,478	14,562	5,772
<b>Other comprehensive income/(expense), net of income tax</b>					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translating foreign operations		(123)	1,061	801	330
Other comprehensive income/ (expense) for the period		(123)	1,061	801	330
Total comprehensive income for the period		11,077	4,539	15,363	6,102
		RMB cents	RMB cents	RMB cents	RMB cents
Earnings per share					
– Basic and diluted	10	1.40	0.43	1.82	0.72

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant & equipment	12	13,693	8,273
Right-of-use assets		21,507	15,788
Intangible assets	13	508	560
Deferred tax assets		1,422	1,335
		<b>37,130</b>	<b>25,956</b>
<b>Current assets</b>			
Inventories		46,440	36,516
Trade and other receivables	14	60,210	51,379
Cash and bank balances		50,336	44,447
		<b>156,986</b>	<b>132,342</b>
<b>Total assets</b>		<b>194,116</b>	<b>158,298</b>
<b>Current liabilities</b>			
Trade and other payables	15	45,795	31,534
Lease liabilities		2,837	2,710
Current tax liabilities		2,717	2,923
		<b>51,349</b>	<b>37,167</b>
<b>Net current assets</b>		<b>105,637</b>	<b>95,175</b>
<b>Total assets less current liabilities</b>		<b>142,767</b>	<b>121,131</b>
<b>Non-current liabilities</b>			
Lease liabilities		20,195	14,209
Deferred tax liabilities		2,347	2,060
		<b>22,542</b>	<b>16,269</b>
<b>Net assets</b>		<b>120,225</b>	<b>104,862</b>
<b>Capital and reserves</b>			
Equity attributable to owners of the Company			
Share capital	16	6,969	6,969
Reserves		113,256	97,893
		<b>120,225</b>	<b>104,862</b>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2020

	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 2020 (Audited)	6,969	26,558	17,429	6,529	1,944	45,433	104,862
Profit for the period	-	-	-	-	-	14,562	14,562
Other comprehensive income for the period	-	-	-	-	801	-	801
Total comprehensive income for the period	-	-	-	-	801	14,562	15,363
Balance at 30 June 2020 (Unaudited)	6,969	26,558	17,429	6,529	2,745	59,995	120,225
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 expense 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



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Cash flows from operating activities</b>		
Profit before tax	17,494	7,522
Adjustment for:		
Depreciation of property, plant and equipment	885	853
Depreciation of right-of-use assets	1,889	–
Amortisation of intangible assets	53	52
Interest income	(22)	(217)
Finance costs	1,302	–
Gain on disposal of property, plant & equipment, net	(3)	(8)
	<b>21,598</b>	<b>8,202</b>
Movements in working capital		
Increase in inventories	(9,924)	(4,499)
(Increase)/decrease in trade and other receivables	(8,831)	32,229
Increase/(decrease) in trade and other payables	14,261	(8,859)
Cash generated from/(used in) operations	17,104	27,073
Income taxes paid	(2,938)	(2,136)
<b>Net cash generated by/(used in) operating activities</b>	<b>14,166</b>	<b>24,937</b>
<b>Cash flows from investing activities</b>		
Interest received	22	217
Payments for property, plant and equipment	(6,306)	(2,175)
Proceeds from disposal of property, plant and equipment	4	16
Payments for intangible assets	–	(58)
<b>Net cash (used in)/generated by investing activities</b>	<b>(6,280)</b>	<b>(2,000)</b>
<b>Cash flows from financing activities</b>		
Capital element of lease liabilities	(1,185)	–
Interest element of lease liabilities	(1,302)	–
Dividends paid	–	(5,238)
<b>Net cash used in financing activities</b>	<b>(2,487)</b>	<b>(5,238)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,399</b>	<b>17,699</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>44,447</b>	<b>18,630</b>
Effect of foreign exchange rate changes, net	490	92
<b>Cash and cash equivalents at the end of the period</b>	<b>50,336</b>	<b>36,421</b>

# NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 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 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 1902, 19th Floor, 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 unaudited condensed consolidated financial statements are presented in Renminbi (“**RMB**”), rounded to the nearest thousand, which is different from the functional currency of the Company as the Group’s dominated operations are substantially based in the People’s Republic of China (the “**PRC**”).

## 2. BASIS OF PREPARATION

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

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

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendment to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

## 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 2019.

## 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 does 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 2019.

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

## 4.2 Liquidity risk

Compared to the year ended 31 December 2019, there have been no material changes to the policies and practices for the Group's liquidity and funding risks management as described in the unaudited consolidated financial statements for the six months ended 30 June 2020.

## 4.3 Fair value estimation

As at 31 December 2019 and 30 June 2020 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 has determined that it only has one operating segment which is the manufacturing and sales of inflatable products and related accessories. Since this is the only operating segment of the Group, no further analysis for segment information is presented.

### Revenue

	For the three months ended 30 June		For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Sales of inflatable products and related accessories	75,742	49,030	123,798	95,780
Sub-contracting income	24	1,430	457	1,430
	<b>75,766</b>	<b>50,460</b>	<b>124,255</b>	<b>97,210</b>

## 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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue from external customers				
– China	7,052	5,148	18,123	6,960
– Europe	4,703	13,052	15,300	26,522
– Australia and Oceania	637	1,939	637	2,544
– North America	47,806	10,441	51,530	14,534
– Asia	15,568	18,525	38,650	44,876
– Central and South America	–	1,310	15	1,729
– Africa	–	45	–	45
	<b>75,766</b>	<b>50,460</b>	<b>124,255</b>	<b>97,210</b>

## 6. OTHER INCOME AND GAINS

	For the three months ended 30 June		For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interest income on bank deposits	12	214	22	217
Grants and subsidies	106	–	311	19
Others	9	114	83	123
	<b>127</b>	<b>328</b>	<b>416</b>	<b>359</b>

## 7. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interest on lease liabilities	858	–	1,302	–

## 8. INCOME TAX EXPENSE

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

	For the three months ended 30 June		For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Current tax for the Period</b>				
Hong Kong Profits Tax	503	520	912	1,011
PRC Enterprise Income Tax	1,425	526	1,820	576
<b>Deferred tax</b>	114	102	200	163
Total income tax recognised in profit or loss	2,042	1,148	2,932	1,750

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.

## 9. 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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cost of inventories recognised as an expense	53,518	40,046	90,523	76,728
Depreciation of property, plant and equipment	443	431	885	853
Depreciation of right-of-use assets	1,057	–	1,889	–
Amortisation of intangible assets	27	26	53	52
Net foreign exchange (gains)/losses	99	(354)	48	509
Operating lease payments in respect of rented premises	–	1,403	–	2,777
Short term lease expenses	3	–	6	–
Employee benefits expense (including directors' emoluments)				
Salaries, wages and other benefits	11,328	9,455	19,958	17,985
Contribution to retirement benefits schemes	196	907	566	1,689
<b>Total employee benefits expense</b>	<b>11,524</b>	<b>10,362</b>	<b>20,524</b>	<b>19,674</b>

## 10. 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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
<b>Earnings</b>				
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	11,200	3,478	14,562	5,772
<b>Number of shares</b>	'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 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 ended 30 June 2020 and 2019.

## 11. 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 does not recommend the payment of any interim dividend for the six months ended 30 June 2020. (2019: Nil)



## 12. 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	Construction in progress RMB'000	Total RMB'000
<b>Unaudited six months ended</b>							
<b>30 June 2020</b>							
<b>Cost</b>							
Balance at 31 January 2020	7,087	14,062	768	266	1,954	2,017	26,154
Additions	53	549	431	20	-	5,253	6,306
Disposals	-	(4)	-	-	-	-	(4)
Effect of foreign exchange difference	-	-	-	-	-	-	-
Balance at 30 June 2020	7,140	14,607	1,199	286	1,954	7,270	32,456
<b>Accumulated depreciation</b>							
Balance at 31 January 2020	6,534	8,742	673	237	1,695	-	17,881
Depreciation expense	325	530	13	2	15	-	885
Eliminated on disposals	-	(3)	-	-	-	-	(3)
Effect of foreign exchange difference	-	-	-	-	-	-	-
Balance at 30 June 2020	6,859	9,269	686	239	1,710	-	18,763
<b>Carrying amounts</b>							
Balance at 30 June 2020	281	5,338	513	47	244	7,270	13,693
Balance at 31 December 2019	553	5,320	95	29	259	2,017	8,273

## 13. INTANGIBLE ASSETS

During the Period, the Group did not incur any spending on acquisition of intangible assets (2019: approximately RMB58,000).

#### 14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Trade receivables	51,582	45,587
Less: Allowance for credit losses	(223)	(221)
	51,359	45,366
Value-added tax refundable	4,819	2,268
Deposit paid	989	1,206
Other receivables and prepayment	3,043	2,539
	<b>60,210</b>	<b>51,379</b>

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 180 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 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
0-30 days	13,082	29,018
31-60 days	14,416	11,421
61-90 days	12,380	1,876
91-120 days	11,481	2,867
121-365 days	-	184
	<b>51,359</b>	<b>45,366</b>

## 15. TRADE AND OTHER PAYABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Trade payables	34,214	20,029
Contract liability	3,422	2,618
Accrued salaries and other benefits	4,639	5,788
Other payables and accruals	3,520	3,099
	<b>45,795</b>	<b>31,534</b>

The trade payables are non-interest bearing and the Group is normally granted credit period ranging from 30 to 90 days.

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
0-30 days	16,507	9,432
31-60 days	13,345	6,173
61-90 days	3,623	2,701
91-120 days	417	1,359
121-365 days	322	296
Over 365 days	-	68
	<b>34,214</b>	<b>20,029</b>

## 16. SHARE CAPITAL

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

	<b>Number of ordinary shares</b>	<b>Share capital HK\$'000</b>	<b>Share capital RMB'000</b>
Ordinary shares of HK\$0.01 each			
<b>Authorised:</b>			
At 31 December 2019 and 30 June 2020	1,000,000,000	10,000	
<b>Issued and fully paid:</b>			
At 31 December 2019 and 30 June 2020	800,000,000	8,000	6,969

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

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

In order to strengthen the Group's marketing efforts and to expand its distribution network, the Group started to cooperate with an e-commerce company in the second half of 2018 to establish a sales platform in the United States. Different from the Group's original sales model through foreign importers, trading companies and sales agents as channels, the gross profit margin of retail sales through e-commerce sales platforms is relatively high, and the Group's distribution network can also be expanded.

Although the outbreak of the Coronavirus Disease 2019 ("**COVID-19**") since the beginning of 2020 has had impact on the production and operations of the Group, it also brought new business opportunities to the Group. Since the outbreak of COVID-19 in North America began in March this year, local citizens have reduced their outings and increased their time to play at home. The demand for inflatable products, which are the principal products offered by the Group, has increased significantly. In addition to the increase in sales to the existing customers of the Group, retail sales through e-commerce platforms also increased significantly. The Group's sales through e-commerce platforms in North America in the second quarter and the first half of the year of 2020 were approximately RMB17,620,000 and RMB20,629,000, respectively, as compared with approximately RMB567,000 and RMB1,567,000 in the corresponding periods in 2019, representing an increase of approximately 30.1 times and 12.2 times, respectively.

For the six months ended 30 June 2020 (the "**Period**"), the Group recorded total a revenue of approximately RMB124,255,000, representing an increase of approximately RMB27,045,000 or 27.8% as compared to approximately RMB97,210,000 for the six months ended 30 June 2019. The profit for the Period was approximately RMB14,562,000, representing an increase of approximately RMB8,790,000 or 152.3% as compared to the profit of approximately RMB5,772,000 for the six months ended 30 June 2019.

Looking forward to the second half of 2020, the production team of the Group will continue to make every effort to invest in the production techniques improvement, strive to improve production efficiency, meet production demand and reduce production costs. The Group expects to achieve steady business growth over last year.

## FINANCIAL REVIEW

### Revenue

The Group's revenue was approximately RMB124,255,000 for the Period, representing an increase of approximately RMB27,045,000 or 27.8% as compared to the revenue for the period ended 30 June 2019 (2019: RMB97,210,000). Revenue from the sales of inflatable playgrounds with air blowers for the Period was approximately RMB109,805,000 (2019: RMB86,770,000), representing an increase of by approximately RMB23,035,000 or 26.5% compared with the corresponding period, which accounted for approximately 88.4% of the Group's total revenue (2019: 89.3%); revenue from the sales of other inflatable products for the Period was approximately RMB1,415,000 (2019: RMB1,842,000), representing a decrease of approximately RMB427,000 or 23.2% compared with the corresponding period, which accounted for approximately 1.1% of the Group's total revenue (2019: 1.9%); revenue from the sales of electronic solar products for the Period was approximately RMB7,132,000 (2019: RMB5,995,000), representing an increase of approximately RMB1,137,000 or 19.0% compared with the corresponding period, which accounted for approximately 5.7% of the Group's total revenue (2019: 6.1%); revenue from the sales of inflatable products related accessories and subcontracting work for the Period was approximately RMB5,903,000 (2019: RMB2,603,000), representing an increase of by approximately RMB3,300,000 or 126.8% compared with the corresponding period, which accounted for approximately 4.8% of the Group's total revenue (2019: 2.7%).

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

### Cost of sales

Cost of sales increased by approximately RMB13,795,000 or 18.0% to approximately RMB90,523,000 for the Period from approximately RMB76,728,000 for the corresponding period in 2019.

### Gross profit and gross profit margin

The Group recorded a gross profit of approximately RMB33,732,000 for the Period, representing an increase of approximately RMB13,250,000 as compared with that of the corresponding period (2019: RMB20,482,000). Gross profit margin was approximately 27.1% for the Period, representing a significant increase of approximately 6.0% as compared to that of the corresponding period (2019: 21.1%). The increase in gross profit margin was mainly attributable to the substantial increase in retail sales of inflatable products in North America via the e-commerce sales platform which are of relatively higher profit margin.

### Other income and gains

Total other income and gains was approximately RMB416,000 for the Period, representing an increase of approximately RMB57,000 as compared with that of the corresponding period (2019: RMB359,000). The increase was mainly due to an increase in grants and subsidies from the PRC government of approximately RMB292,000; partially offset by a decrease in interest income of approximately RMB195,000 and a decrease in sundry income and gains of approximately RMB40,000.

## **Distribution and selling expenses**

Total distribution and selling expenses was approximately RMB8,354,000 for the Period (2019: RMB5,236,000), representing an increase of approximately RMB3,118,000 or 59.5% as compared to that of the corresponding period in 2019. The increase was mainly due to the Group increased spending in (i) freight and transportation expenses of approximately RMB923,000; (ii) advertising and promotion expenses by approximately RMB640,000 and (iii) commission and after-sales service expenses of approximately RMB1,489,000.

## **Administrative expenses**

The administrative expenses was approximately RMB6,998,000 for the Period (2019: RMB8,083,000), representing a decrease of RMB1,085,000 or 13.4% as compared to that of the corresponding period in 2019. The decrease was mainly due to the Group decreased spending in the hospitality and travelling expenses of approximately RMB340,000 and the decrease in foreign exchange loss of approximately RMB461,000.

## **Finance costs**

The Group recorded interest on lease liabilities of approximately RMB1,302,000 for the Period (2019: Nil).

## **Profit for the period**

Profit for the Period was approximately RMB14,562,000, an increase of approximately RMB8,790,000 or 152.3% as compared with that of the corresponding period (2019: RMB5,772,000).

## **Dividends**

The Board does not recommend payment of any interim dividend for the Period. (2019: 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 of the Company.

As at 30 June 2020, the Group's total equity attributable to the owners of the Company amounted to approximately RMB120.2 million (31 December 2019: RMB104.9 million).

The current ratio of the Group as at 30 June 2020 was approximately 3.06 as compared to that of approximately 3.56 as at 31 December 2019. The quick ratio of Group as at 30 June 2020 was approximately 2.15 as compared to that of approximately 2.58 as at 31 December 2019. Since no borrowings was outstanding as at 30 June 2020 and 31 December 2019, 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 2020.

## Contingent Liabilities

As at 30 June 2020, the Group did not have any significant contingent liabilities (31 December 2019: Nil).

## Pledge of Assets

As at 30 June 2020, the Group had no assets pledged for bank borrowings or for other purpose (31 December 2019: 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 2020, the Group did not have any significant capital commitments not provided for in the financial statements (31 December 2019: RMB408,000).

## 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 to service the same amount of foreign currency liabilities, or a depreciation of foreign currency against RMB may result in receipts from receivables substantially less than the contractual amounts in terms of RMB at the settlement date.

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

## Treasury Policies

The Group is exposed to credit risk primarily arising from trade receivables and bank deposits. Trade receivables are from customers with good collection track records with the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history to mitigate credit risks. No provision of doubtful debts was recognized during the six months ended 30 June 2020 and 2019 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 2020, the Group had 685 full-time employees (31 December 2019: 536). 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 of the Company, for the six months ended 30 June 2020 amounted to approximately RMB20,524,000 (2019: RMB19,674,000).

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.

## Use of Proceeds from Share Offer

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

The actual net proceeds from the issue of new shares of the Company under the share offer was different from the estimated net proceeds of approximately HK\$17.1 million as set out in the Prospectus. The Group adjusted the use of proceeds in the same manner and in the same proportion as shown in the Prospectus, which was (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 2020, all of the net proceeds from the Listing had been fully utilised and the net proceeds had been applied as follows:

	<b>Planned use of proceeds up to 30 June 2020 HKD'000</b>	<b>Actual use of proceeds balance up to 30 June 2020 HKD'000</b>
Expand and enhance the product offerings	5,464	5,464
Expand production capacity	5,464	5,464
Attract and retain quality personnel	4,371	4,371
Increase marketing effort, expand distribution network and explore new business opportunities	4,282	4,282
General working capital	1,077	1,077
<b>Total</b>	<b>20,658</b>	<b>20,658</b>

## 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 2020, 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 2020, 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 2020, so far as is known to the Directors and the Chief Executive and based on the public records filed on the website of the Stock Exchange and records kept by the Company, the interest and short positions of the persons or corporations (other than the Directors and the Chief Executive) in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

### Long positions in ordinary shares of the Company:

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

#### Notes:

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

Save as disclosed above, as at 30 June 2020, 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.

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

## 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 2020, 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"**). To the best knowledge of the Board, the Company has complied with the applicable code provisions of the CG Code during the Period.

## 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. Liu Zexing. 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 statements 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 the unaudited condensed financial statements for the Period comply 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, 10 August 2020

*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. Liu Zexing and Mr. Ho Hin Chung as independent non-executive Directors.*