Bestway 百适乐

榮威國際

2017 年報

2017 ANNUAL REPORT

榮威國際控股有限公司
（於開曼群島註冊成立的有限公司）
股份代號: **3358**

Bestway Global Holding Inc.
(Incorporated in the Cayman Islands with limited liability)
Stock code: **3358**

CONTENTS

CORPORATE PROFILE

Bestway Global Holding Inc. (the "**Company**") and its subsidiaries (the "**Group**", "**we**", "**us**" or "**our**") are a global leading branded company for outdoor leisure products, with a reputation for excellent product design, quality, functionality and value.

Founded in 1994 in Shanghai, China, our vision is to create fun, lasting experiences for everyone in the world through the products and services we provide. Since our humble beginnings, we have devoted our efforts to strengthening our research, design, development and manufacturing capacities, while continuously expanding our product and brand portfolio. With headquarters in Shanghai and nine subsidiaries strategically located across the world, our products can now be found in over 110 countries across six continents worldwide.

We predominantly design, develop, manufacture and sell an extensive range of high quality and innovative outdoor leisure products primarily under our own BESTWAY brand umbrella, in conjunction with a portfolio of sub-brands to market specific product series. We currently offer approximately 1,100 products across our four core product groups, including a comprehensive selection of above-ground pools and portable spas, recreation products, sporting goods, and camping products, designed to cater to a wide range of consumer groups and geographic markets.

The shares of Bestway Global Holding Inc. (the "**Shares**") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (HKSE: 3358) on November 16, 2017 (the "**Listing Date**").

FINANCIAL HIGHLIGHTS

For the year ended December 31	2017 US$	2016 US$	Change
Operating results			
Revenue	722,546,180	584,529,415	23.6%
Gross profit	182,775,398	164,536,664	11.1%
Operating profit	63,958,514	61,976,856	3.2%
Profit before income tax	60,293,293	57,041,586	5.7%
Profit for the year	47,568,408	43,019,658	10.6%
Profit for the year before listing expenses	52,614,329	43,693,364	20.4%
Profit attributable to owners of the Company	47,462,397	43,339,569	9.5%
Financial position			
Net cash generated from operating activities	12,273,173	65,366,329	(81.2%)
Cash and cash equivalent	110,737,581	22,964,807	382.2%
Per share data (US cents)			
Earnings per share — basic and diluted	0.0574	0.0546	5.1%
Proposed final dividend per share	0.0135	–	–
Other data			
Capital expenditure	104,416,610	36,873,386	183.2%
R&D expenditure[(1)]	13,631,826	11,483,477	18.7%
Key ratios (%)			
Gross profit margin	25.3%	28.1%	(2.8%)
Operating profit margin	8.9%	10.6%	(1.7%)
Net profit margin[(2)]	6.6%	7.4%	(0.8%)
Net profit margin before listing expenses	7.3%	7.5%	(0.2%)
Return on equity[(3)]	15.8%	22.4%	(6.6%)

Notes:

(1) Research and development expenses include relevant staff costs, equipment depreciation expenses and other expenses.

(2) Net profit margin is calculated as profit attributable to owners of the Company as a percentage of revenue.

(3) Return on equity equals profit for the year divided by the average of the beginning and ending total equity for that period and multiplied by 100%.

CHAIRMAN'S STATEMENT

Dear Shareholders,

The Group is a global leading branded company for outdoor leisure products. During the year ended December 31, 2017 (the "**year under review**"), the Group maintained strong growth in sales and solidified its market position, which further enhanced its competitive edge and increased its market share in major regional markets. In addition, the Shares have been successfully listed on the Main Board of the Stock Exchange on November 16, 2017 and gained access to the international capital markets.

RESULTS AND DIVIDEND

For the year ended December 31, 2017, the Group's revenue amounted to US$722.5 million, representing an increase of 23.6%. The growth in sales was mainly attributable to our growth in major regional markets, including Europe, North America, Asia-pacific (including China) and Central and South America, where the sales of our own-brand products contribute to approximately 80.0% of our sales in the year under review.

Eliminating the impact of expenses related to the Listing in 2016 and 2017, being the non-recurring items which are not indicative of the operating performance of our business in 2016 and 2017, our net profit increased by 20.4% from US$43.7 million in 2016 to US$52.6 million in 2017. The board of directors (the "**Directors**") (the "**Board**") of the Company has proposed a final dividend of US$14,288,279, or US$0.0135 per Share (equivalent to approximately HK$0.1055 per Share), representing a dividend payout ratio of 30.0%. The Group will aim to maintain or raise the dividend payout ratio to share the Group's operating results with the shareholders of the Company (the "**Shareholders**").

BUSINESS REVIEW

In 2017, the Group maintained stable growth in market share in all major regional markets, where it ranked first in Europe and second in North America, in terms of market share in the inflatable outdoor leisure products industry, according to the Frost & Sullivan report. The Group also retained market leading position in Australia and Central and South America markets. The Chinese and Asia-pacific markets saw rapid growth in sales, making us the pioneer of branded products in the regions. Our leading industry position enabled us to enjoy competitive advantages in different areas, such as the greater impact of our research and development ("**R&D**") effort and promotional activities, better bargaining power in relation to product prices and expansion of sales channels.

In the year ended December 31, 2017, our four core product groups recorded rapid sales growth. Above-ground pools and portable spas posted a 19.4% growth, mainly attributable to the successful promotional strategies of the new models, such as the "Swim Vista" series of POWER STEEL above-ground pools and "Hawaii" series of Airjet portable spas. Sporting goods demonstrated an even faster sales growth in 2017, representing a year-on-year growth of 26.7%, mainly attributable to the continuous and significant sales growth arising from inflatable and portable stand-up paddle boards and other water sporting products, which were manufactured with the Drop-stitch materials. Camping products recorded more rapid year-on-year growth of 36.8% in 2017, mainly attributable to the successful launch of FORTECH airbed manufactured with new polymer-based textile composite materials that boosted the sales growth of the entire airbed series. In addition, recreation products maintained a decent growth momentum with a sales growth of 19.6%.

While striving for satisfying sales performance, the Group placed increasing emphasis on the influences of own-brand products. Our products, which are predominantly sold under the BESTWAY brand umbrella in conjunction with a portfolio of sub-brands such as LAY-Z-SPA, SALUSPA, H_2O GO!, HYDRO FORCE, COOLERZ and PAVILLO. This multi-layered brand portfolio caters for the Group's business model of having robust international sales, and it maximizes the exposure to our target customers and enhances the Group's market share and brand recognition globally by achieving product differentiation. The "Hawaii" series of our LAY-Z-SPA sub-brand was awarded the Spa Product of the Year by the UK Pool & Spa Awards in 2017. We received an award for our motor-powered inflatable stand-up paddle boards by the Leading Group Office for Promotion of Shanghai Cultural and Creative Industry (上海市文化創意產業推進領導小組辦公室) in 2017. We were also awarded the Gold Industrial Design Award at the Shanghai International Fashion Consumer Goods Fair 2018 (上海國際時尚消費博覽會) for our inflatable stand-up paddle boards. Furthermore, the Group received numerous awards for being an outstanding supplier from major international retail chains in 2017, such as Auchan in Europe, Walmart and Big Lots in North America and Kmart in Australia.

In the year ended December 31, 2017, the Group continued to step up its contribution to product innovation and R&D, with a R&D related expense of US$13.6 million. The Group appointed Mr. Patrizio Fumagalli as the Chief Strategic Officer of the Group in 2017. Prior to the appointment, he worked as the chief executive officer of our subsidiaries in the United States and Europe. Our Chief Strategic Officer is responsible for the new products innovations and developments of the Group, as well as the optimization and enhancement of the existing product portfolio and strategic acquisition of or cooperation with brands and products. Currently, the Group has developed strong R&D capability throughout the value chain, covering product innovation, product development, materials, manufacturing technology and craftsmanship. For example, our above-ground pools and portable spas are the leading products in the market which mark the new industry standard. In 2017, the Group holds 33 product patents in regions including Europe, the United States and China. At present, "utility model" patents owned by the Group mainly include: innovation such as efficient and intelligent inflatable portable spas, microelectronics-driven inflatable products, high resistance metal frame pools, enhanced-strength synthetic polymer materials, the printing process, and interactive inflatable recreation products that comes in various combination. These patents have been applied to the manufacturing of our products. Since 2017, the Group has been endeavored to implement "Enterprise Intellectual Properties Management" (《企業知識產權管理規範》) GB/T 29490-2013 standard and has obtained the intellectual property benchmark certification, formulated and perfected our strategy for the development of intellectual property. We have also put in place a sound mechanism and framework for the management and protection of intellectual properties, and pursued a strategic patent portfolio with an international presence. Leveraged the R&D capabilities of the technical center in Shanghai and our overseas design teams, the Group focuses on the development of key and core technologies in sporting goods and actively transforms the novel and unique features that we identify into intellectual properties of the Group.

With regard to safety standards, riding on its over 20 years of industry experience, the Group took part in the formulation and review of safety standard in respect of inflatable products in major regional markets. We have undertaken a proactive role in product safety by participating in and providing constructive feedback to committees and consultation groups on safety standards legislation. For example, we are a member of the technical committee in the European Committee for Standardization that focuses on standardization in the field of domestic swimming pools and spas, as well as a member of the dedicated-purpose pool pumps working group of the United States Department of Energy to participate in the drafting of the relevant energy conservation standards. We participated in the formulation, amendment and finalization of certain technical standards in relation to water and above-ground pools in Europe and the United States, including European Standard for Domestic Above-ground Pool Series Standard EN16582 and EN16713, European Standard for Water Floatable Leisure Product Series Standard EN ISO 25649, European Standard for Swim Trainer Product Series Standard EN ISO13138, United States Standard for Above-ground Pool ANSI/ASAP-4, European Standard for Sleeping Bag ISO EN23537 and European Standard for SPA bath EN60335-2-60, etc.. In respect of product compliance, the Group obtained 27 CE (European Conformity) certificates, 30 EMC (Electro Magnetic Compatibility) certificates, 45 GS (Geprufte Sicherheit) certificates, 14 ETL (ETL Testing Laboratories Inc.) certificates and nine TUV Rheinland marked certificates in 2017; all of which were issued by independent third party international inspection authorities. These certificates cover products such as filtration pump in the pool, pool heater, inflatable airbed, leisure boat, water floatable leisure products and swim trainers.

The Group owns four manufacturing sites in China, which are located in Shanghai; Rugao, Nantong; Hai'an, Nantong; and Yancheng. As of the date of this report, the Group is expanding the production capacity of the manufacturing site in Rugao, Nantong, and has commenced the construction of our manufacturing site in Hai'an, Nantong in January 2018. With the expansion of these manufacturing sites, the total production capacity of the Group is expected to increase from the maximum capacity of US$800 million as of December 31, 2017 to approximately US$1.6 billion in four to five years time. The growth in our production capacity will cater for the rapid growth in sales volume. While striving for expansion of production capacity, the Group also placed great emphasis on environmental protection and sustainable development. In 2017, BESTWAY was awarded Sustainability Award of the year from Walmart.

OUTLOOK

According to the Frost & Sullivan report, the inflatable outdoor leisure products market is expected to grow at a compound annual growth rate (CAGR) of over 11.4% from 2017 to 2021. This is mainly due to (i) the increasing expenditure on lifestyle and entertainment; (ii) raising health awareness; (iii) the development of the material technology of inflatable products which would reshape conventional leisure products; (iv) the development of social network and e-commerce providing consumers with easy access to inflatable products. As an industry leader, it is anticipated that the sales of the Group will grow at a rate much faster than the industry norm.

Looking ahead to 2018, the Group will continue to carry through a strong growth momentum in our four core product groups. However, in light of the fluctuations in exchange rate and increased prices of certain raw materials in China, the Group is experiencing certain challenges in maintaining its gross profit margin in 2018. Under this operating environment, the Group will take a proactive approach in managing the unit price of our product through launching new products and differentiate our products from our competitors, which will enhance our ability in undertaking premium pricing strategy. The Group will also tighten the cost control measures in our production through optimizing the manufacturing process and promoting automation and mechanization level of our manufacturing capabilities, which will reduce the manufacturing cost and the relevant administrative expenses.

In 2018, the Group will continue to strengthen the R&D and marketing efforts devoted to our new products. We will roll out two new product types, namely Bouncy Castle and Snow Tubes in the coming year. Meanwhile, our self-developed swimming machine which is a resistance swimming apparatus that functions like treadmills to swimmers will be gradually introduced to the market. Furthermore, we will introduce additional features to the product types such as FORTECH airbed, portable spas and above-ground pools, which we believe will improve the functionality of our products and user experience. These additional features and technologies include voice command air pumps for airbeds, intelligent remote control pumps for portable spas, large floating islands and intelligent water quality detectors. On top of our mission to extend the lifespan of our existing products, we will launch new products and drive consumer demand and in turn setting the trends of the market. For example, in the rapid development of internet of things, many of our new products we develop are equipped with features with smart products that combine the physical products and software interfaces such as voice command, remote control and mobile applications.

In terms of our strategies in the regional expansion, we will focus on exploring the Asia-pacific market including China as another focus region on top of the European and North American markets. Given the characteristic of the Chinese market that majority of the sales are derived from e-commerce platforms, the Group will make efforts to participate in promoting consumer education and enhancing user experiences. On the online front, the Group will strengthen cooperation with online platforms such as JD.com and T-mall while exploring more branded e-commerce operators like VIP shop. Moreover, the Group will introduce our own BESTWAY e-commerce platform in 2018 to enhance brand awareness and promote user experience. Through our own e-commerce platform, consumers can access first-hand product information, after-sales services directly from us and users' feedback on products. On the offline front, the Group will organize more product launches and marketing events. For example, we will cooperate with water parks, resorts and outdoor activity venues to organize themed events. The simultaneous development of both online and offline businesses not only presents the consumption concept of outdoor leisure products to our potential customers, but also builds the BESTWAY brand image as the leading brand in China.

Regarding the North American market (the United States market being the main contributor), the Group will be more committed to balancing growth and profit margin. With the rapid growth in the American market over the past few years, the Group is currently in a favorable market position. In 2018, the principal strategies in the North American market include: (i) marketing of new products and optimization of our product offering; (ii) strengthening the sales on e-commerce sales channels; (iii) identifying alternative sales channels, such as outdoor leisure product outlets. In respect of the European market, the Group will continue to maintain and consolidate its leading market position with more refined operating effort to further boost our market share and product profitability.

In 2018, the Group will enhance its effort in promoting automatic/semi-automatic manufacturing process and will introduce warehouses with automated storage and retrieval. Through continuous optimization of the production process and system upgrades, the Group aims to reduce the use of workforce and increase our unit outputs. In addition, the Group will continue to upgrade and improve the enterprise resource planning system developed by SAP to achieve more sophisticated big data analysis and customer-relation management. These systems will enable us to respond to customer's needs and market changes in a more timely, accurate and efficient manner.

Last but not least, I extend my gratitude to our directors, senior management and employees from all over the world for their relentless effort and contribution during the past year, which allowed the Group to achieve rapid growth in performance and obtain the listing status in Hong Kong, an international capital market. I also appreciate the faith and support of our customers, suppliers and partners toward the Group. The Group will adhere to the corporate principles of "Happy Consumers", "Happy World" and "Happy Employees" and continue to introduce innovative products to expand its market share, tap into regional markets and reinforce sustainable development, thereby creating value for the Shareholders.

Zhu Qiang
Chairman and Chief Executive Officer

Hong Kong, March 19, 2018

RESULTS OF OPERATIONS

	For the year ended December 31,		
	2017 US$	2016 US$	**2017 vs 2016 % Change**
Operating Results			
Revenue	**722,546,180**	584,529,415	23.6%
Cost of sales	**(539,770,782)**	(419,992,751)	28.5%
Gross profit	**182,775,398**	164,536,664	11.1%
Net profit	**47,568,408**	43,019,658	10.6%
Net profit before listing expenses	**52,614,329**	43,693,364	20.4%
Key Ratios (%)			
Gross profit margin	**25.3%**	28.1%	(2.8%)
Net profit margin	**6.6%**	7.4%	(0.8%)
Net profit margin before listing expenses	**7.3%**	7.5%	(0.2%)
Gearing ratio(1)	**10.8%**	36.9%	(26.1%)

Note:

(1) Equals total debt divided by total equity as of the respective financial year-end date. Total debt is calculated as total borrowings plus loans from related parties, less cash and cash equivalents and restricted cash.

Revenue

The revenue of the Group rose significantly by 23.6% from US$584.5 million for the year ended December 31, 2016 to US$722.5 million for the year ended December 31, 2017. The increase was driven by the growth in all major regional markets. During the year, we continued to place emphasis on our own-brand products, which contributed to approximately 80% of our total sales.

We offer a variety of outdoor leisure products. We categorize our products into four core product groups and 16 product categories. We market and sell these products primarily under our own BESTWAY brand umbrella, in conjunction with a portfolio of sub-brands based on their product categories and market positioning. The following table sets forth the revenue for our four core product groups, presented by the amount and as a percentage of our total revenue for the years indicated:

	For the year ended December 31,				
Product Group	**2017**		2016		**2017 vs. 2016**
	US$	**%**	US$	%	**% Change**
Above-ground pools and portable spas	**327,473,260**	**45.3**	274,341,404	46.9	19.4%
Recreation products	**150,332,021**	**20.8**	125,656,192	21.5	19.6%
Sporting goods	**96,346,308**	**13.4**	76,035,612	13.0	26.7%
Camping products	**148,394,591**	**20.5**	108,496,207	18.6	36.8%
Total	**722,546,180**	**100**	584,529,415	100	23.6%

The sales mix of our four core product groups remained relatively stable during the two years ended December 31, 2016 and 2017. The sales of our above-ground pools and portable spas presented a 19.4% growth during the year under review, mainly attributable to the successful promotional strategies for our new models, such as the "Swim Vista" series of POWER STEEL above-ground pools and the "Hawaii" series of Airjet portable spas. The sales of recreation products increased by 19.6% during the year under review, which was contributed by our global research and development efforts that lead to the launch of new products such as FASHION FLOAT floating islands. The FASHION FLOAT floating islands contributed to 6.7% of the sales of recreation products. Further, our sales of sporting goods demonstrated a rapid growth rate of 26.7% during the year under review, mainly attributable to the 72.5% increase in sales of inflatable and portable stand-up paddle boards and other water sporting goods made from drop-stitch materials. The sales in camping products displayed a 36.8% growth for the year under review, primarily attributable to the US$5.8 million increase in sales of the FORTECH airbeds in the North America market that drives the sales growth of our airbeds. Our FORTECH airbeds are manufactured with new polymer-based textile composite materials.

The following table sets forth our revenue by geographic regions and as a percentage of total revenue for the years indicated:

	For the year ended December 31,				
Geographic Region	**2017**		2016		**2017 vs. 2016**
	US$	**%**	US$	%	**% Change**
Europe (1)	**346,403,442**	**47.9**	310,417,622	53.1	11.6%
North America (2)	**205,353,431**	**28.4**	161,238,104	27.6	27.4%
Asia Pacific (3)	**64,593,847**	**8.9**	45,649,055	7.8	41.5%
Including: Mainland China	**19,722,436**	**2.7**	9,418,247	1.6	109.4%
Rest of the world (4)	**106,195,460**	**14.8**	67,224,634	11.5	58.0%
Total	**722,546,180**	**100.0**	584,529,415	100.0	23.6%

Notes:

(1) Europe refers to countries in the European Economic Area, Russia, Georgia, Switzerland, Turkey, Kazakhstan, Kyrgyzstan, Albania, Andorra, Bosnia and Hercegovina, Macedonia, Moldavia, Serbia, Montenegro and Ukraine.

(2) North America refers to the United States of America, Canada and Puerto Rico.

(3) Asia Pacific refers to Asia (excluding the Middle East) and Australia.

(4) Rest of the world refers to Middle East, Africa and Latin America.

We enhanced our market share in the European market during the year under review and recorded steady growth of 11.6%. We have deepened our cooperation with Walmart in 2017 and our sales of the newly introduced product — FORTECH airbed — significant contributed to our growth in sales in North America. Our strategy of expanding through new sales outlets such as Academy and Fred Meyer also shown rewarding results in 2017. We believe our brand promotional events have further increased brand awareness. According to market data by NPD Group, one of the largest market research companies, H_2O GO! became the second-largest brand name among brands of water and sand recreation products in 2017, and four of our H_2O GO! products made it to the list of top 10 bestselling water and sand recreation products in the United States in 2017.

The revenue in Asia Pacific increased by 41.5% in 2017, which was mainly contributed by the significant increase of 109.4% in mainland China. This increase in mainland China was driven by (i) our promotion activities and efforts for both online and on-site sales outlets; and (ii) the increase of brand awareness and improvement of brand reputation. For the sales in the rest of world, we have also achieved a 58.0% growth, primarily due to the economic recovery in South America.

Cost of Sales

The following table sets forth our revenue, cost of sales and the changes by the core product groups for the years indicated:

	Revenue		Cost of Sales		2017 vs 2016 % of Change	
	For the year ended December 31,					
	2017 US$	2016 US$	2017 US$	2016 US$	Revenue	Cost of Sales
Above-ground pools and portable spas	327,473,260	274,341,404	252,450,049	205,436,140	19.4%	22.9%
Recreation products	150,332,021	125,656,192	111,288,162	86,842,147	19.6%	28.1%
Sporting goods	96,346,308	76,035,612	65,597,545	52,448,138	26.7%	25.1%
Camping products	148,394,591	108,496,207	110,435,026	75,266,326	36.8%	46.7%
Total	722,546,180	584,529,415	539,770,782	419,992,751	23.6%	28.5%

Our cost of sales primarily comprises costs of raw materials and consumables used, wages and salaries, social welfare and benefits and manufacturing costs. Our cost of sales increased by 28.5% from US$420.0 million for the year ended December 31, 2016 to US$539.8 million for the year ended December 31, 2017 and was 71.9% and 74.7% as a percentage of revenue for the years ended December 31, 2016 and 2017, respectively.

Gross Profit and Gross Profit Margin

Gross profit represents revenue less cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. Our gross profit increased by 11.1% from US$164.5 million in 2016 to US$182.8 million in 2017. Our gross profit margin decreased from 28.1% in 2016 to 25.3% in 2017. The 2.8% decrease in our gross profit margin was resulted from (i) an 1% increase in gross profit margin of our innovative product lines (including portable spas, stand-up paddle boards, water slides and floating islands), (ii) the appreciation of Renminbi against the U.S. dollar that led to a 2% decrease in gross profit margin and (iii) an approximately 25% increase in the cost of steel materials and packaging materials (especially in the second half year) that led to a 1.8% drop in gross profit margin.

As an effort to mitigate the impacts from the increasing cost of materials and the appreciation of Renminbi against the U.S. dollar, the Group raised the product prices by 3% to 5% in the second half of 2017 and maintained control measures over cost of sales by promoting automation and mechanization level of our manufacturing capabilities. In addition, we have also adopted hedging strategies to lock-in the exchange rates in our procurements and taken the exchange rate risks into consideration in our budgeting.

Operating Profit and Operating Profit Margin

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of transportation expenses, service fees and commissions paid to our third-party regional relationship managers, wages and salaries, social welfare and benefits for our marketing and sales personnel, advertising and promotion expenses and after-sales services expenses. For the years ended December 31, 2016 and 2017, our selling and distribution expenses were US$60.7 million and US$68.9 million, respectively, representing 10.4% and 9.5% of our revenue in these respective periods. The ratio of selling and distribution expenses to revenue decreased from 10.4% in 2016 to 9.5% in 2017 because fixed expenses such as expenses on sales staff and after-sales services dropped due to economies of scale.

Administrative Expenses

Our administrative expenses primarily consist of wages and salaries, social welfare and benefits for our administrative and management personnel, R&D expenses, depreciation and amortization of our office and employees dormitories, maintenance fees and rental expenses. For the years ended December 31, 2016 and 2017, our administrative expenses were US$48.6 million and US$60.6 million. Eliminating the impact of the listing expenses, being the non-recurring items, our administrative expenses amounted to 8.2% and 7.7% of the revenue in the years ended December 31, 2016 and 2017, respectively. It was contributed by (i) the effect on fixed expenses such as administrative and managerial salaries, depreciation, maintenance of the office premises form the resultant economies of scale from the business expansion and (ii) the operational management efficiency from the upgraded information system of the Company such as the systems developed by SAP.

Other Income

Our other income increased by US$14.7 million from US$2.1 million in 2016 to US$16.8 million in 2017, primarily due to the US$14.5 million increase in government grants. The increase in government grant in 2017 was due to financial subsidies granted to our subsidiaries, particularly our subsidiary in Nantong as its export business expanded and its business model is supported and encouraged by the local government.

Other (Losses)/Gains — Net

Our other gains of US$4.7 million in 2016 reversed to other losses of US$6.2 million in 2017. The significant drop was contributed by the net foreign exchange losses of US$7.8 million in 2017 (2016: net foreign exchange gain of US$5.0 million). It was caused by the impact of the appreciation of Renminbi against U.S. dollar on the amounts receivable or payable from our operating activities and cash and cash equivalents denominated in the Renminbi or the U.S. dollar.

Operating Profit

Our operating profit increased by 3% from US$62.0 million for the year ended December 31, 2016 to US$64.0 million for the year ended December 31, 2017. The 3% increase in operating profit was lower than the 11% increase in gross profit, due to the US$11.9 million, US$10.9 million and US$8.2 million increase in administrative expenses, other (losses)/gains and selling and distribution expenses, respectively, and was slightly offset by the US$14.7 million increase in other income.

Profit for the Year

Eliminating the impact of expenses related to the Listing in 2016 and 2017, being the non-recurring items which are not indicative of the operating performance of our business in 2016 and 2017, our net profit increased by 20.4% from US$43.7 million in 2016 to US$52.6 million in 2017.

Finance Expenses — Net

Finance expenses include interest expenses on bank borrowings, interest expenses on retirement benefit obligations and foreign exchange losses on our financing activities. Finance income includes interest income on bank deposits. For the years ended December 31, 2016 and 2017, the net amount of finance expenses and finance income was US$4.9 million and US$3.7 million, respectively, representing 0.8% and 0.5% of total revenue, respectively.

Income Tax Expenses

Our income tax expenses decreased by 9.3% from US$14.0 million in 2016 to US$12.7 million in 2017. Our effective income tax rate decreased from 24.6% in 2016 to 21.1% in 2017. The decrease in effective income tax rate from 2016 to 2017 primarily because we incurred less PRC withholding tax imposed on dividends paid by our Chinese subsidiaries.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our primary uses of cash in 2017 were to pay for purchases of raw materials and capital expenditure for expansion of production facilities. For details regarding the purchases of raw materials, please see paragraph headed "— Results of Operations — Cost of Sales" above in this section. We financed our working capital requirements through a combination of funds generated from our operating activities, bank borrowings and the net proceeds from the Listing.

Our treasury policy is to maintain sufficient cash and cash equivalents and have sufficient available funding through our banking facilities and operations to meet our working capital requirements. Our Directors believe that we have maintained sufficient general banking facilities for financing our capital commitment and working capital purposes. As of December 31, 2017, the Group did not have any material contingent liabilities or guarantees.

Capital Expenditure and Capital Commitment

Capital expenditure for the year ended December 31, 2017 mainly comprises expenditure on (i) property, plant and equipment related to the construction of manufacturing facilities in Nantong and Yancheng; and (ii) land use rights related to the expansion of our manufacturing facilities in Nantong. In 2017, we funded our capital expenditures primarily with internally generated resources and borrowings. The table below shows a breakdown of the capital expenditure for the respective years:

	Year ended December 31,	
	2017	2016
	US$	US$
Payments for property, plant and equipment	**81,867,125**	34,347,827
Payments for land use rights	**8,840,640**	2,193,597
Payments for intangible assets	**191,352**	331,962
Prepayments for land use rights	**13,517,493**	–
Total Capital Expenditures	**104,416,610**	36,873,386

The capital commitments of the Group increased by 225.4% to US$23.4 million as of December 31, 2017 (2016: US$7.2 million), due to the construction of our manufacturing facilities and logistics centers in Nantong, and manufacturing facilities and employees dormitories in Shanghai; Rugao, Nantong; Haian, Nantong; and Yancheng. We plan to finance our capital commitments with bank borrowings, cash flows generated from operating activities and the net proceeds from the Listing.

Liquidity and Cash Flow

	For the year ended December 31, 2017 US$	2016 US$
Cash flow		
Net cash generated from operating activities	12,273,473	65,366,329
Net cash used in investing activities	(99,399,722)	(36,418,902)
Net cash generated/(used in) from financing activities	175,360,200	(30,360,115)
Net increase/(decrease) in cash and cash equivalent	88,233,951	(1,412,688)
Current Assets and Current Liabilities		
Current Assets	543,275,985	302,118,484
Current Liabilities	(400,171,712)	(256,932,901)
Net Current Assets	143,104,273	45,185,583

The Group maintains a strong and healthy balance sheet. As of December 31, 2017, the gearing ratio was 10.8%, representing a 26.1% decrease as compared with December 31, 2016 (Gearing ratio equals total debt divided by total equity). Net current assets increased by 216.7% from US$45.2 million as of December 31, 2016 to US$143.1 million as of December 31, 2017. The US$97.9 million increase in net current assets was primarily due to (i) an increase in inventories by US$88.6 million, (ii) an increase in trade receivables by US$45.0 million, (iii) an increase in cash and cash equivalent by US$87.8 million. These were partially offset by (i) an increase in trade payables by US$64.2 million and (ii) an increase in bank borrowings by US$63.2 million.

The Group's net cash inflow from operating activities was US$12.3 million, consisting of US$84.0 million in net cash generated from operations before changes in working capital, net cash inflow of US$53.5 million relating to changes in working capital, income tax paid of US$11.7 million and interest paid of US$6.5 million. Our net cash generated from operations before changes in working capital. The decrease in net cash inflow generated from operating activities was mainly attributable to the change in working capital primarily due to the (i) US$0.6 million increase in pledged bank deposits in 2017 as compared to US$5.6 million decrease in pledged bank deposits in 2016, (ii) US$88.3 million increase in inventories in 2017 as compared to the US$25.5 million decrease in inventories in 2016, (iii) US$1.7 million increase in interest paid, (iv) US$2.2 million increase in income tax paid, which were offset by the increase in trade payables and other payables and accruals of US$85.9 million in 2017.

Borrowings

The following table sets forth our interest-bearing bank borrowings and loans from related parties as of the dates indicated:

	Year ended December 31,	
	2017	2016
	US$	US$
Bank borrowings		
Secured	**157,804,962**	61,030,076
Unsecured	**25,592**	33,624,367
Loans from related parties		
Unsecured	**–**	6,787,973
Total	**157,830,554**	101,442,416

Our bank borrowings were primarily denominated in U.S. dollars, Renminbi and Euro, and a majority of them were short-term borrowings that we entered into to finance our working capital. As of December 31, 2016 and 2017, the weighted average effective interest rate of our borrowings was 4.55%, and 4.28% per annum, respectively. Our bank borrowings amounted to US$94.7 million and US$157.8 million as of December 31, 2016 and 2017, respectively.

The maturity of bank borrowings as of the balance sheet dates are as follows:

	For the year ended December 31,	
	2017	2016
	US$	US$
Within one year	**157,830,554**	94,603,239
One to two years	**–**	51,204
Total	**157,830,554**	94,654,443

As of December 31, 2017, the secured bank borrowings were secured as follows:

1. the bank borrowing amounting to EUR126,264 (equivalent to US$150,768) was secured by trade receivables amounting to EUR157,830 (equivalent to US$188,460);

2. the bank borrowings amounting to RMB372,768,400 (equivalent to US$57,048,820), were secured by buildings, land use rights and machinery and factory equipment with net book value of RMB321,356,844 (equivalent to US$49,180,748), RMB165,139,533 (equivalent to US$25,273,107), RMB10,806,907 (equivalent to US$1,653,899), respectively.

3. the bank borrowings amounting to US$36,328,186 and RMB420,000,000 (approximately US$64,277,188) were guaranteed by subsidiaries of the Company.

FINANCIAL POSITION

Inventories

Our inventories consist primarily of raw materials, work-in-progress and finished goods. The following table sets forth a summary of our total inventories as of the dates indicated:

	Year ended December 31,	
	2017	2016
	US$	US$
Raw materials	**57,138,713**	27,757,869
Work-in-progress	**77,889,519**	52,817,511
Finished goods	**115,934,151**	81,789,156
Total	**250,962,383**	162,364,536

Our inventories increased by US$88.6 million to US$251.0 million as of December 31, 2017, compared to December 31, 2016, primarily due to the Company's business expansion that contributed to the increase in raw materials, work-in-progress and finished products.

The following table sets forth our inventory turnover days during the periods indicated:

	For the year ended December 31,	
	2017	2016
Inventory turnover days(1)	**140**	153

Note:

(1) Inventory turnover days for each one-year period equals the average of the beginning and ending inventory for that year divided by cost of sales for that year and multiplied by 365 days.

Our inventory turnover days decreased from 153 days in 2016 to 140 days in 2017, while the balance of inventories increased from US$162.4 million in 2016 to US$251.0 million in 2017. The cost of sales also increased from US$420.0 million to US$539.8 million. The decrease in inventory turnover days primarily due to the effective production efficiency and inventory control measures we adopt.

Trade Receivables

The following table sets forth a summary of our trade receivables as of the dates indicated:

	Year ended December 31,	
	2017	2016
	US$	US$
Trade receivables	**141,137,998**	95,814,928
Less: allowance for impairment of trade receivables	**(1,530,345)**	(1,228,416)
Total trade-nature receivables	**139,607,653**	94,586,512

Our trade receivables increased by 47.6% from US$94.6 million as of December 31, 2016 to US$139.6 million as of December 31, 2017 primarily due to the significant increase in sales in the fourth quarter (fourth quarter in 2017: US$220 million, fourth quarter in 2016: US$170 million) and we grant credit period of 30 to 90 days after delivery of our products to our customers.

The following table sets forth our trade receivables turnover days for the periods indicated:

	For the year ended December 31,	
	2017	2016
Trade receivables turnover days(1)	**59**	52

Note:

(1) Trade receivables turnover days for each one-year period equals the average of the beginning and ending balances of trade receivables for that year divided by revenue for that year and multiplied by 365 days.

Our trade receivables turnover days remained relatively stable at 52 days in 2016 and 59 days in 2017, as we offer a longer credit period to our customers in the rest of the world, and the sales in this geographic region increased by 58.0% in 2017.

Prepayments and Other Receivables

Our prepayments and other receivables increased significantly by US$33.6 million from US$15.2 million as of December 31, 2016 to US$48.8 million as of December 31, 2017, primarily due to the increase in deductible input VAT and prepaid taxation.

Trade Payables

Our trade payables mainly comprise of purchases of raw materials. The trade payables are generally non-interest bearing and we settle most of our trade payables within 30 to 90 days of our suppliers' delivery of the products to us. However, some of our key suppliers granted us credit periods of up to 180 days. Our trade payables increased by 71.0% to US$154.7 million as of December 31, 2017, primarily due to a corresponding increase in procurement of raw materials due to the increase in sales.

The following table sets forth our trade and bills payables turnover days for the periods indicated:

	For the year ended December 31,	
	2017	2016
Trade payables turnover days[1]	**83**	81

Note:

(1) Trade payables turnover days for each one-year period equals the average of the beginning and ending trade payables for that year divided by cost of sales for that year and multiplied by 365 days.

Our trade payables turnover days remained relatively stable at 81 days in 2016 and 83 days in 2017.

Other Payables and Accruals

Our other payables and accruals increased by 46.1% to US$76.8 million as of December 31, 2017 compared to December 31, 2016 mainly attributable to the cost of the infrastructure and constructions for the expansion of our manufacturing facilities in Nantong, the increase in advances from customers and the increase in payroll and employee benefits payables.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Since the Listing Date and up to December 31, 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

HUMAN RESOURCES AND STAFF REMUNERATION

As of December 31, 2017, we had a total of 14,276 employees. For the year ended December 31, 2017, the total employee benefit expenses, including Director's emoluments, were US$126.4 million (2016: US$86.1 million). For details of our remuneration policy and regarding our employees, please refer to the section "B. Social — Employment and Labour Practices" in the "Environmental, Social and Governance Report" on pages 27 to 42 in this annual report.

FOREIGN EXCHANGE RISK

Our sales are primarily settled in U.S. dollars while the majority of our purchases and operating costs of our production plants and offices are settled in Renminbi; this relationship exposes us to foreign exchange risk. Signification fluctuations in exchange rates will result in increases or decreases in our reported costs and earnings, and also affect the carrying value of our Renminbi and U.S. dollar denominated-assets, liabilities, and our equity. To mitigate the risks associated with the volatility of foreign exchange markets, in particular the fluctuation in the foreign exchange rate between the U.S. dollar and the Renminbi, we entered into certain derivative financial instruments to mitigate our foreign exchange risk in 2017.

As at December 31, 2017, our bank borrowings denominated in U.S. dollars amounted to US$38.4 million (2016: US$12.6 million) and our bank borrowings denominated in Renminbi amounted to US$119.3 million (2016: US$80.6 million). For details of the Group's borrowing, please refer to paragraph "Borrowings" under section "Liquidity, Financial Resources and Capital Structure" above and note 29 to the consolidated financial statements of this annual report.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any other material acquisition and disposal of subsidiaries and affiliated companies from the Listing Date until December 31, 2017.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of December 31, 2017, the Group did not have any significant investment or future plans for material investments or capital assets.

CHARGES ON ASSETS

Save as disclosed under paragraph "Borrowings" in "Management Discussion and Analysis" on page 15 of this annual report, there was no charge on assets of the Group as of December 31, 2017.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to December 31, 2017 which would materially affect the Group's operating and financial performance as of the date of this report.

—GLOBAL PRESENCE—

Bestway 百适乐

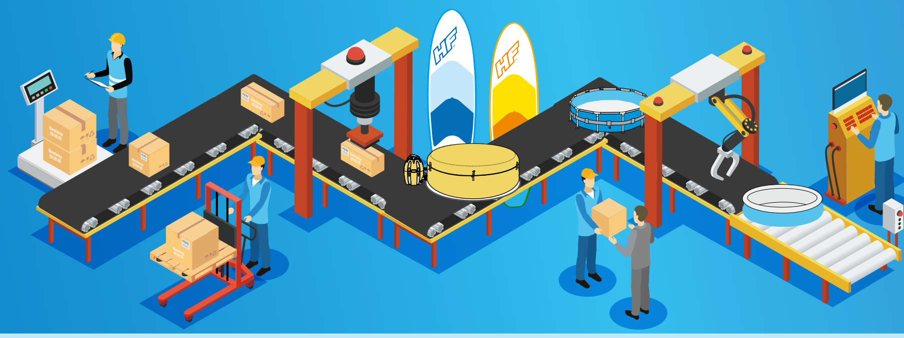
Global Outdoor Leisure Brand

Bestway Sales Agenies sets up sales agenies over 80 countries.
Over 40 customer service centers support for 70 countries worldwide.
Product sold to over 110 countries across 6 continents worldwide.

PRODUCTS OVERVIEW

Bestway 百适乐

Global Outdoor Leisure Brand



PRODUCT OVERVIEW

"Bestway's creative and professional team delivers innovative, functional and exceptional products to create fun, lasting product experiences for everyone in the world."

Over 33%

- We operate in the outdoor leisure product industry with a global market size of US$190 billion
- We account for over 33% market share in the inflatable product segment of the global outdoor leisure product industry.

NO.1

- The largest portable spa manufacturer in the world (2016)

24%

- In 2017, sales income increased by 24% when compared to the same period in 2016

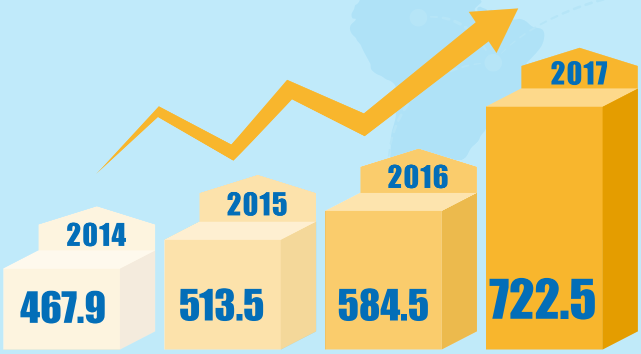
127,932,460 units

110 Countries

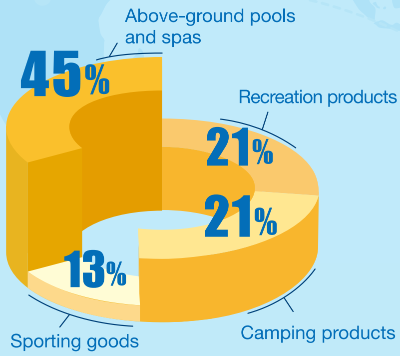
- Shipment of product amounted to 127,932,460 units in FY2017
- Bestway's products are sold to over 110 countries across 6 continents worldwide
  Among the top 50 retailers in the world, we have established years of long-term operation with at least 20 of them

PRODUCT REVENUE IN THE LAST FOUR YEARS

Unit: US$ million



PERCENTAGE OF REVENUE FROM FOUR CORE GROUPS



- Revenue contribution of new products in 2017 represents spas, SUPs, water slides and floating islands. The four signature product groups account for 19.4%.
- Above-ground pools and spas **45%**
- Recreation products **21%**
- Sporting goods **13%**
- Camping products **21%**

REGION REVENUE IN THE WORLD AND PERCENTAGE CHANGE FOR THE YEAR

Product revenue by region in 2017, Unit: US$ million.

Region	Revenue 2017	Revenue in 2016	Revenue growth
Europe	346.4	310.4	11.6%
North America	205.3	161.2	27.4%
Asia-Pacific	64.6	45.6	41.5%
China	19.7	9.4	109.4%
Rest of the world	106.2	67.2	58%

Total **722.5** Revenue growth 24%

Revenue in 2016: 584.5

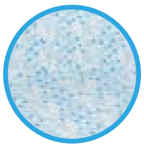
PRODUCTS OVERVIEW

Above-ground Pools and Portable Spa Products

Above-ground metal pools, above-ground inflatable ring pools, accessories for above-ground pools, portable spas and accessories

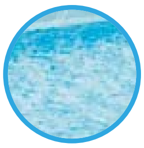

Above-ground round pool


Rust-resistant metal frames

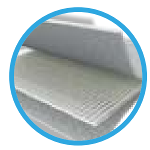

Printed mosaic

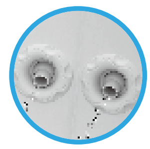

Above-ground rectangular pool


Rust-resistant metal frames

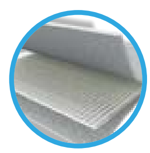

Printed mosaic

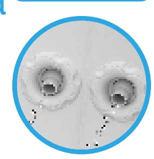

Round AirJet spa


Tri-Tech™ materials


Massage air jets


Round AirJet spa

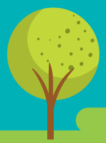

Tri-Tech™ materials

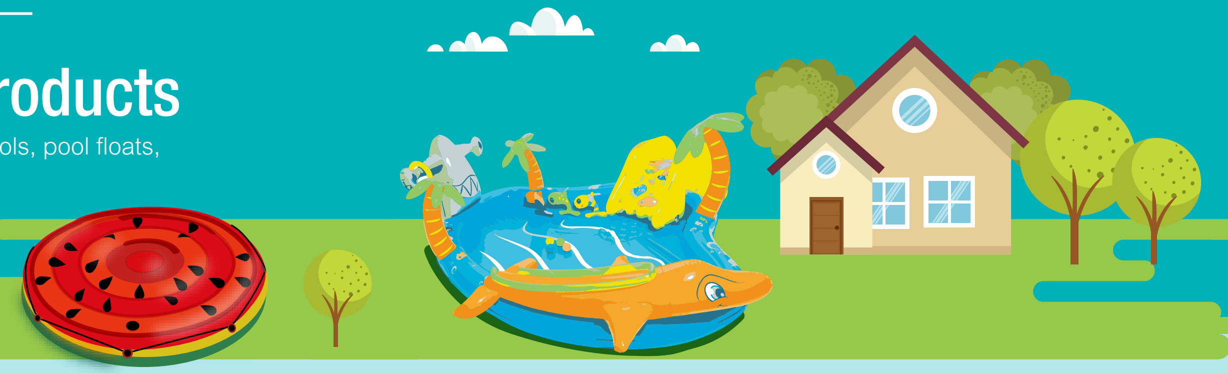

Massage air jets

PRODUCTS OVERVIEW

Recreation Products

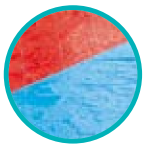
Inflatable play centers, play pools, pool floats, ride-on pool floats and ball pits





Water sliding contest

Water jet system



Sturdy PVC materials

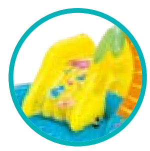
Watermelon island

Safety valves

Sturdy PVC materials

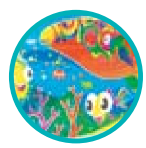
Ocean theme recreation pool

Cute cartoon designs



Cartoon slide

Three-ring rectangular pool



Cute cartoon pattern

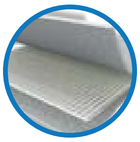
Extra wide side walls

PRODUCTS OVERVIEW

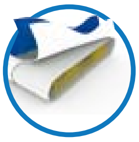
Sporting Goods

Rafting tubes and floating islands, inflatable stand-up paddle boards, outdoor leisure boats and accessories, water slides, swim gear, swim trainers and snow tubes

SUP board



Tri-Tech™ materials



Drop-stitch materials

Inflatable boat

Safety valves

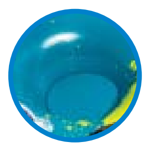
Sturdy handles

Four-rider island

Comfortable backrests

Coolers

Triple tube



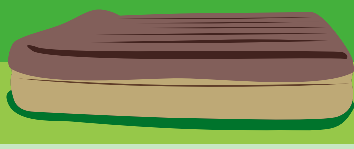
Comfortable seats

Sturdy handles

— PRODUCTS — OVERVIEW

Camping Products

Flocked airbeds, fabric airbeds, air furniture, camping equipment and accessories



Outdoor camping flocked airbeds

Flocked surface

Coil beam construction

Double-layered flocked airbed with electric air pumps

Rapid air valves

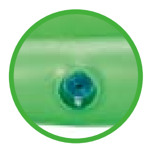
I-beam construction

Outdoor camping airframe tent

Built-in inflatable frame

Anti-pest window

Kiddie airbed



Three interlocking quick release valves

Connected carry bag for easy packing

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This environmental, social and governance report was prepared in compliance with the "Environmental, Social and Governance Reporting Guide" set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The purpose of this report is to help parties involved in our business and stakeholders understand the environmental, social and governance policies, measures and performance of the Company beyond the financial results and business operation aspects.

This report covers information of the Company in relation to management approaches and strategies on environmental, social and governance ("**ESG**") from 1 January 2017 to 31 December 2017 (the "**Reporting Period**"), focusing on the key performance indicators of two aspects, namely, environmental (emissions, use of resources, environment and natural resources) and social (employment, health and safety, development and training, labor standards, supply chain management, product liability, anti-corruption and community investment) matters. We have arranged management and staff members from all departments of the Company to review our operating conditions at their functional level and identify relevant ESG matters as well as to assess the importance/relevance of such matters to our business. Figures disclosed in this report mainly represent relevant statistics from our head quarter and subordinate production bases.

A. ENVIRONMENT

A1. Emission

The Company is a conglomerate integrated design, development, manufacturing and sales. Our sites in Shanghai, and Nantong and Yancheng in Jiangsu province covering an aggregate land area of approximately 953,097 square meters mainly manufacture polymer films and all kinds of water and outdoor leisure products that were produced based on such raw material. During the Reporting Period, the Company was mainly involved in direct or indirect gas emission by consumption of electricity, coal, water, unleaded petrol and diesel in the course of our production, and certain amount of solid wastes generated therefrom.

The Company strives to strictly comply with the requirements of local environmental laws and regulations, including but not limited to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》), Air Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》) and Prevention and Control of Environmental Pollution Caused by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) by adhering to the policy of energy conservation and emission reduction of "reducing consumption, reusing, recycling and replacing". The Company implements waste sorting where hazard-free household waste is sorted before collected by Environmental Protection Bureau. We reuse the waste as possible as we can or send them to recycling units for upcycling. We advocate the use of double-sided photocopying and printing to foster a paperless workplace. The Company examines discharged sewage and waste gas as required by laws regularly to ensure the emission is in compliance with the standard. Hazardous chemical waste is treated by commissioned professional competent units.

The following sets forth the production and disposal of waste gas and greenhouse gas emission, hazardous and non-hazardous waste of the Company during 2017:

A1.1 Emissions

Type	Source	Emission Volume (tonnes)	Density of Discharge (Volume (tonnes)/ production (thousand tonnes))
Nitrogen oxides (NO_x)	• Boiler • Company Vehicles	30.37	0.13
Sulphur oxides (SO_x)/ sulphur dioxides	• Boiler • Company Vehicles	4.33	0.02
Particulate Matters (PM)	• Boiler • Company Vehicles	0.51	0.002

Note: All the above PM emission was the emission generated from consumption of fuel oil when using the Company's vehicles. Certain amounts of dust (i.e. particulate matters (PM)) were produced during the production process but it can be basically reduced after the treatment of dust remover. As the amount of accidental scatter is unable to be counted, no such figure was shown in above table.

Both our production process and canteen require the use of boilers. Boilers are run on energy sources including coal, diesel, natural gas, biofuel, etc that generate certain amounts of pollutant. The emission volume of which depend on factors such as quality of energy, types of boiler, efficiency of de-dusting devices. The Company selects and procures energy supply through bidding process, and conducts strict inspection and registration for each batch of energy resources. For instance, regarding coal purchases, while maintaining a certain level of heat value, we prefer coals with low sulphur content to reduce pollutant emissions.

Types of vehicles used by the Company include cars, pick-up trucks, mid-size and heavy cars and forklift trucks. The coordination of the using of vehicles, either for administrative purpose or logistics purpose, are centralized by relevant department. Loading capacity and driving routes are reasonably planned with a view to reducing emissions.

A1.2 Greenhouse Gas (GHG) Emission

Scope of GHG (note 1) Emission	Sources	Emission Volume (tonnes)	Total emissions (percentage)	Density of emissions (Emissions (tonnes)/ production (tonnes))
Scope 1 Direct emissions	• Consumption of coal • Acetylene • Biofuel • Consumption of unleaded petrol and diesel by self-owned vehicles	30,930.50	23.51%	0.13
Scope 2 Indirect emissions	• External electricity • External steam	100,019.17	76.04%	0.42
Scope 3 Other indirect emissions	• Business flights • Government sewage treatment • Waste paper disposal	528.34	0.40%	0.002
Other scope (note 2)	• Biofuel	65.29	0.05%	0.0003
Total		131,543.30	100.00%	0.55
Removals:	• Newly-planted trees for GHG removals	10.83		N/A
Total emission after removal:		131,532.47		0.55

Note 1: GHG includes carbon dioxide (CO_2), other GHG converted into carbon dioxide equivalent, such as methane (CH_4) and nitrous oxide (N_2O).

Note 2: According to the internationally accepted Greenhouse Gas Protocol, CO_2 generated from biological sources, is not included in scope 1, 2 or 3, but calculated and presented separately from CO_2 generated from mineral sources.

Direct carbon emissions of the Company arise from various sources, including carbon emissions from fixed sources, such as coals burnt in boilers, diesel, biofuel, septic tanks, etc., amounting to 29,761.65 tonnes in aggregate; and GHG emissions from mobile sources, such as consumption of unleaded petrol and diesel by self-owned vehicles, amounting to 1,168.86 tonnes in aggregate.

During the year, indirect carbon emission of the Company included indirect emissions generated from external energy, namely electricity and heat energy (steam). The Company built solar energy projects using idle spaces on the rooftops of factories. For example, we installed solar panels with an area of 23,000 square meters on the rooftop of our Nantong production base. Such measures have the effect of “peak cut” and have enhanced voltage quality of the Company’s power grids, while conserving energy, reducing consumption and minimizing emissions. In 2017, volume of electricity generated by the Company through isolar energy reached 1,262,200 Kwh, reducing indirect carbon emissions by 1,020.61 tonnes.

Other indirect carbon emission of the Company amounted to 528.34 tonnes, including carbon emission from flight due to employees business trip, discharge treatment, waste paper treatment, etc. conducted by municipal government. The Company has adopted electronic office system to reduce paper consumption and unnecessary business trip. In addition, products of the Company consume substantial amount of packaging materials and internal work-in-progress is transferred by reusable container box to minimize the use of carton box.

Carbon emission in other aspect of the Company amounted to 65.29 tonnes, attributable to direct CO_2 emission due to use of biofuel.

In 2017, the Company planted 471 new trees to remove 10.83 tonnes greenhouse gases in aggregate.

Furthermore, the Company has adopted several energy-saving measures to reduce indirect carbon emission, such as:

1. use heat insulating materials extensively in newly constructed plants and install windows made of double-layered tempered glass;

2. use energy-saving lighting exclusively and implement dual control of manual switch and timer;

3. use heat preserving system of solar and air energy in staff quarter and centralize hot water supply;

4. adopt variable frequency control for motor when possible and use continuous variable energy-saving air compressors exclusively;

5. adopt close-loop temperature control for heat supply system of workshop and centralize regional temperature control;

6. regulate the use of air conditioner in strict compliance with management and requirement conditions in respect of use of air conditioner.

A1.3 Hazardous waste

Hazardous waste	Discharge volume (tonnes)	Density (Discharge volume (tonnes)/ production (thousand tonnes))
Waste ink barrels	19.47	0.081
Waste plasticizers	0.28	0.001
Waste hydrochloride	0.90	0.004
Waste organic solvents	1.24	0.005

The Company has set up a specific site for collection and reservation of hazardous waste and engaged professional competent units for treatment of hazardous waste in accordance with the national requirements. The Company actively implemented the environmental concept of "Zero pollution by being friends of the Nature" (零污染、與自然為友) in order to step up effort on environmental protection by reducing pollution of the environment.

A1.4 Non-hazardous Waste

Non-hazardous Waste	Discharge volume (tonnes)	Density (Discharge volume (tonnes)/ production (tonnes))
Waste wood	892.06	3.72
Waste papers	805.88	3.36
Waste pipes	418.35	1.74
Waste bulk bags	202.65	0.84
Scrap metals	144.07	0.60

Note: The above table only included the major solid waste of over 100 tonnes produced by the Company.

According to statistics, non-hazardous waste like waste wood, waste papers and other non-metal materials produced by the Company amounted to 3,099.43 tonnes. The Company has established an environmental management system. The Company has implemented separated management of waste to maximize waste recycling or sell the waste to professional recycling company for treatment. Domestic waste is handled by specific environment and health units. Ordinary industrial solid waste is handled by professional competent units in accordance with requirements.

A2. Use of Resources

The Company has attached great importance to energy conservation. We comply with the requirements under the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》) and encourage reusing and recycling of used resources in the course of business operation with a view to protecting the environment and enhancing operational efficiency. Energy consumed by the Company is generally electricity, coal, bio-energy, gas, diesel oil, water and papers.

To safeguard effective use of resources and safety in using such resources, the Company establishes specific consumption guidelines for some major energy consumption aspects to regulate the consumption of staff including emergency electricity operation procedure, steam control, use of diesel oil and use of air-conditioners.

The following sets forth the use of resources (direct use of energy and water) of the Company during 2017:

A2.1 Total Energy Consumption and Density

Type of Energy Consumption	Amount	Density (Amount/ production (tonnes))
Electricity (MWh)	124,943.13	0.52
Including: external generation	123,680.93	0.52
Internal generation (note 1)	1,262.20	0.01
Natural gas (cubic meters)	87,109.00	0.36
Steam (tonnes)	36,578.80	0.15
Acetylene (litre)	28,520.00	0.12
Coal (tonnes)	13,925.84	0.06
Diesel oil (tonnes)	419.6	0.0017
Gasoline (tonnes)	87.21	0.0004
Biofuel (tonnes)	44.52	0.0002

Note 1: method of internal generation: solar energy.

In addition to the above energy-saving and emission reduction measures, the Company has implemented several energy-saving projects to reduce electricity consumption, including energy-saving renovation, utilisation of new energy, etc. For instance, oil-fuelled boilers used in the business operation of the Company generated heat to produce steam and hot water, which were collected by an integrated recycling system to provide hot water and heat for production workshops and staff quarters during winter, as a means of energy recycling. At the same time, equipment was subject to regular maintenance and improvement to minimise energy loss.

Through the above energy-saving measures, the Company achieved an overall energy-saving rate of 2.9% in 2017 and aims to reach an overall energy-saving rate of 3.5% in 2018.

A2.2 Total Water Consumption and Density

Total Water Consumption (tonnes)	693,854
Density (water consumption (tonnes)/production (tonnes))	2.89

The Company encourages staff members to conserve water and avoid waste. The Company utilises tap water from municipal net work water supply for both domestic and production purposes and has obtained satisfactory results in regular inspection of water quality each year. Waste water is discharged into the municipal drainage and treated in water treatment plant without direct discharge to water and land. The Company has implemented a number of water-saving measures, such as water recycling, promotion of water preservation at water sources and regular inspection, and conducts daily analysis in respect to irregularities of water and electricity consumption record. Upon measurement, the Company achieved a water and electricity-saving rate of approximately 5% in 2017 as a result of various saving measures.

A2.3 Consumption of Packaging Materials

Type	Amount of Consumption (tonnes)	Density (Consumption (tonnes/ production (tonnes))
Carton box	20,132	0.02
Plastics	3,716	0.08
Total	23,848	0.10

Products of the Company utilise a substantial amount of packaging materials, including carton box, adhesive label, packaging box, stretch wrap, etc. The Company is well-versed in product design and assembly options to identify the optimal packaging solution so as to make good use of packaging space and reduce the number of boxes used. Meanwhile, internal work-in-progress is transferred by reusable container box to minimise the use of paper.

On top of the above resource-saving measures, the Company endeavours to recycle returned products and process scraps to minimise waste we send to landfills or incineration facilities. Process scraps arising from the production procedures, namely excess polymer films, are disintegrated and reused in processing. The Company also sells factory waste to local waste recycling facilities, among which part of these wastes are sent to our suppliers for recycling.

A3. Environment and Natural Resources

Our corporate values are based on "Happy employees, Happy world and Happy consumers". The Company has established a comprehensive environment management system. We always select and adopt environment-friendly materials, operating structure and principles in aspects of R&D, manufacturing and logistics. We apply a dynamic cycle of PDCA (plan-do-check-act) to improve the results of our environmental efforts continuously.

The Company conducts integrated planning to its production sites to establish reasonable layouts. We also put emphasis on building green areas at the sites, with 471 trees newly planted in 2017. Waste water and gas go through treatment processes by specific equipment and are only discharged after satisfying certain standards. Sound-proofing measures and de-dusting process are taken to insulate noises and dusts. In order to observe our commitments under laws and regulations relating to environment and other requirements, the Company conducts annual inspection and regular assessment to ensure satisfaction of quality and compliance.

The Company pays attention to the production process, practice, application of materials or products, including but not limited to recycling, disposal, modification of procedures, control mechanism, effective use of resources and alternative materials, with an aim to prevent, reduce or control pollution, minimize harmful impacts to the environment as well as to improve general efficiency of the Company.

The Company focuses on developing recycling and energy-conservation measures to reduce environmental impacts. In 2016, the Company participated in the public disclosure program organized by Carbon Disclosure Project ("**CDP**"). Together with over 5,600 manufacturers worldwide, we presented initiatives for sustainable development, including statistics relating to use of energy, discharge and wastes. CDP is a non-profit organization operating international disclosure systems for investors, companies, cities, countries and regions to manage their environmental impacts. We were ranked as one of the top seven Chinese suppliers among the 400 Chinese manufacturers who participated in the program and awarded the "Best Climate Change Performance among Chinese Suppliers" in 2016.

Currently, the Company does not have any conduct or factor which would affect the environment and natural resources materially.

B. SOCIAL

Employment and Labour Practices

B1. Employment

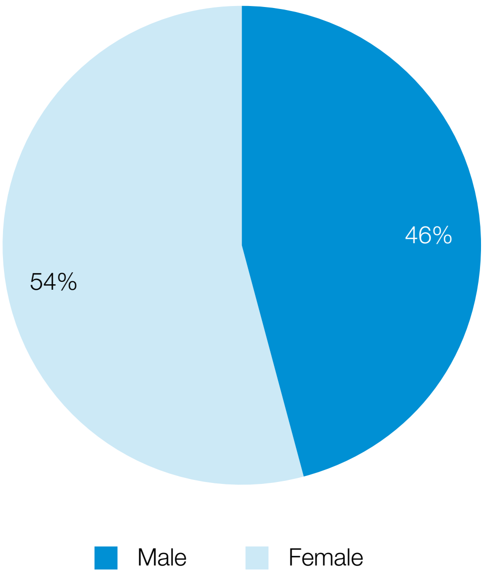
The Company regards employees as important strategic resources for development, During the Reporting Period, the Company was in strict compliance with related requirements of laws and regulations, such as the Labour Law and Labour Contract Law, in order to protect the legitimate interests of employees, improve employees' benefits continuously and boost employees' sense of belonging.

Employees of the Company, under the relevant and the corporate system, are entitled to equal opportunities in terms of employment, transfer and salary adjustment, promotion, training and education, regardless of ethnicity, background, origin, nationality, gender and academic qualification. There is zero tolerance for any act of discrimination in the course of business operation as the Company attaches great importance and shows great respect to the above employees' rights. The Group has established relevant human resource policies in respect of employees' salary, termination, recruitment and promotion, working hours and leave application, equal opportunity and other benefits and such guidelines have been expressively communicated to employees.

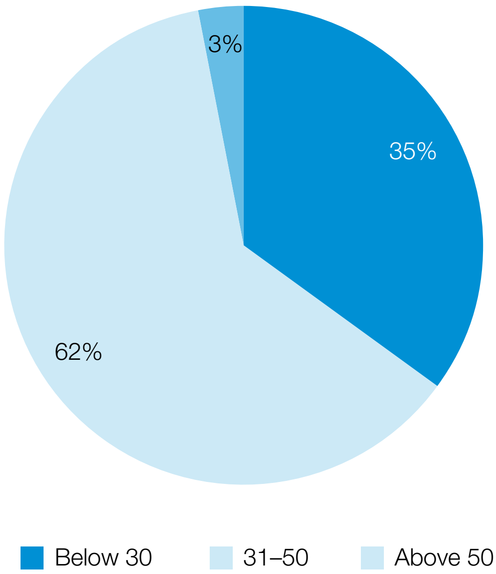
B1.1 Total Number of Employees

As at 31 December 2017, we had total 14,276 full-time employees, among which 14,159, 8, 8 and 101 employees are located in China, Hong Kong, Taiwan and overseas, respectively. A breakdown of employee by gender and age is set out as follows:

Breakdown of Employees by Gender



Breakdown of Employees by Age



We aim to foster an amicable and motivating environment to enhance our employees' incentives and loyalty to us. In recruitment and selection of employees, the Company adheres to the equal opportunity policy. Our recruitment channels comprise of internal recruitment and external recruitment, where candidates are employed on a merit basis according to our organizational structural plan and position while management positions at all levels of the Company relies on internal training and promotion. The Company values the forming a pool of talent by developing management associates system with clear description of the employment conditions, confirmation conditions, training system, promotion criteria with a view to motivating existing management associates at all levels to put more efforts on continuous learning to enhance their expertise in both theoretical and practical aspects.

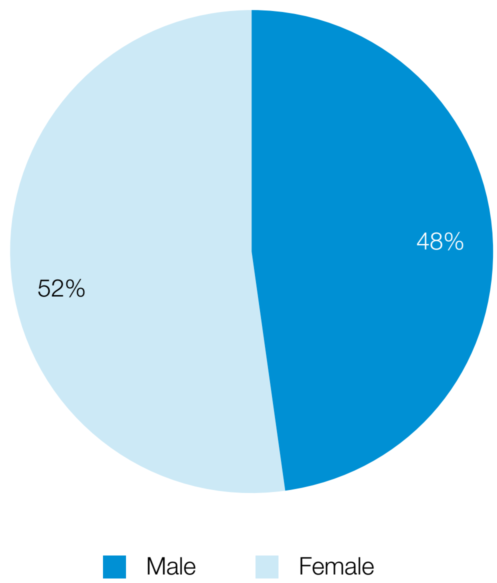
We offer competitive remuneration package, including wages, bonus, fringe benefits and various allowance, to our employees. Apart from that, we maintain pension contribution scheme, medical insurance, work-related injury insurance, unemployment insurance, housing provident fund and maternity insurance for our Chinese employees and provide pension benefit and insurance coverage for most employees of our overseas operation. In addition, we also provide post-retirement benefits for retirees, conditional upon the years of services, position in the Group.

The Company implements an 8-hour working system and makes reasonable job rest day arrangement based on the production seasonality of the Company. Employees are entitled to statutory holidays as required by China, annual leave and marriage holiday, bereavement leave, maternity leave and nursing leave, during which employees are entitled to full wages. The Company strictly complies with relevant requirement of the Labor Law to safeguard the leave and holiday entitlement of its employees.

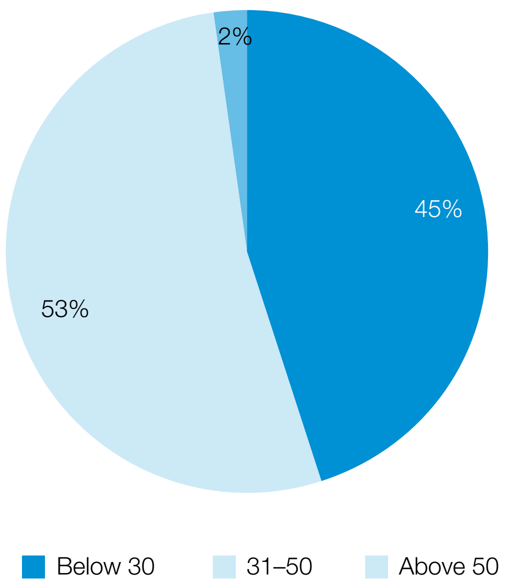
The Company has maintained good working relations with its employees. Management policies, workplace environment, career development and benefits are factors contributing to stable employer-employee relationships. In 2017, the Company recorded staff benefit expenses for employees in the PRC regions amounting to over RMB 31.00 million, covering holiday benefits, cars, meals, supplies for staff quarters, expansion of soccer fields and tennis courts, etc. In addition, our subsidiaries in China have established labour unions open for all Chinese employees to join according to applicable PRC regulations. Labour unions act for the benefit of employees and work closely with the management on labour-related matters. Labour unions also organize various activities for staff members.

The Company has in place clear procedures regarding resignation, dismissal or retirement of employees, underlining regulations on disputes, compensation and other matters relating to dismissal of employees and safeguarding legitimate interests of our staff members.

Breakdown of Employee's Turnover by Gender



Breakdown of Employee's Turnover by Age



During the Reporting Period, the Company did not have any material non-compliance incident relating to labour practice.

B2. Health and Safety

The Company attaches great importance to safeguarding employees' rights, and ensuring staff safety and health at workplace. We also value trainings on occupational skills and safety matters. We make best efforts to protect our employees from work-related accidents or occupational hazards and commit to adhere strictly to regulations on occupational health and safety, such as the PRC Production Safety Law (《中華人民共和國安全生產法》). The Company strives to provide and maintain a safe and healthy workplace for all our employees.

The Company has posted signs about work-safety system, danger warning labels and Chinese alert descriptions at noticeable places in the production workshops. The Company also provides equipment meeting safety requirements and standards, and requires proper execution of daily protection and maintenance. The Company engages professional qualified firms to check factors related to occupational deceases at workplace periodically every year, and has recorded satisfying results. For workplaces and jobs exposed to hazards from occupational diseases, necessary safety protection facilities, such as ventilation devices and flameproof electrical devices, and protective gears, such as gas mask, mouth-piece, face-piece and safety goggles, are required. For newly-employed/re-designated staff members, pre-service trainings and health checks are organized; for current staff members, occupational health trainings and health checks are conducted regularly. Moreover, on-site management conduct daily patrols and inspection, whereas the administrative department ensures onsite supervision at least once a week. The Company also conducts sample checks from time to time. Our aim is to monitor and administer work-related hazardous factors comprehensively, prevent the occurrence of occupational deceases effectively and protect physical and mental health of our employees.

During the Reporting Period, the Company did not have any material non-compliance incident relating to laws and regulations on health and safety.

B3. Development and Training

The Company has always considered employees as its valuable assets. Continuing improvement of occupational knowledge and skills of our staff is essential to our Company's business development. The Company has formulated relevant staff development and training policies and systems and has established sustainable employee training mechanism, providing continuous advancement and training programs for employees to improve their skills and develop their potentials, as well as to enhance their work safety awareness. We also adopt assessment schemes to enable our employees to obtain feedbacks about their performance.

The Company principally organizes diversified training courses during production low seasons. For instance, in 2017, we organized training courses covering the topics of safe production, quality management, finance management, operating management, marketing strategies, etc., offering corresponding trainings to employees of different functions and enhancing their professional knowledge, industry trends, skills and techniques required for their respective positions, as well as increasing our staff's awareness of safe production. Such courses also help enhance quality of end results of each assignment, thereby improving working efficiency.

B4. Labour Standards

The Company pays great attention to and strictly complies with all applicable national laws and local regulations where our business operation is conducted. The Company has established clear management procedures to prevent child labour and forced labour to put in place an effective control over non-recruitment of child labour and support thereof, prevention of exploitation or forced labour, thereby ensuring that employees take part in work or labour on a voluntary basis.

The Company considers child labour and forced labour intolerable and it shall be eliminated. The Company has set up strict recruitment processes to conduct intensive examination of identity documents, such as ID card, and sign labour contract and create personal file in a fair and voluntary manner in accordance with legal requirements.

In accordance with the standard working hours stipulated by the national laws where our business operation is conducted, the Company makes reasonable arrangement of working hours for our employees. Leaves and benefits, such as paid leave and sick leave, are provided in accordance with labour laws. Subject to production requirements, our production bases arrange overtime work on a voluntary basis and it requires negotiation with employee representatives and employees and approval from local labour department and shall not exceed the statutory working hours. Production bases and sales division of the Company in the PRC and overseas prohibit and disapprove any forced labour or contractual servitude, corporal punishment, confinement, violent threat, and forbid employees from receiving any forms of illegal payment, withholding identity document and battering employees.

During the Reporting Period, the Company did not have any material non-compliance incident relating to laws and regulations on labour standards.

Operating Practice

B5. Supply Chain Management

During the Reporting Period, there were 487 suppliers who stable business relationship with the Company, 482 of whom were located in Mainland China, one from Taiwan, 3 from Japan and one from the US.

The Company considers the supply chain as an integral operation rather than a separate functional module comprising procurement, production and sales. We believe that with the establishment of various information communication channels between parties involved in supply chain operations for further information exchange and sharing, the parties involved in supply chain will be able to capitalize on the cost advantage with higher market share by persistent implementation of strategic policy of the whole supply chain with a view to maximizing the supply-chain value in a win-win situation for all parties.

Selecting suppliers is one of the most important parts for the risk management of supply chain. On one hand, we make use of our competitive edge by fully capitalizing on the synergies among us and the suppliers. On the other hand, we take into account the cooperation cost and flexibility of the suppliers. We adopted a specific and systematic method to manage the relationship with suppliers, including but not limited to: strict implementation of selection criteria for suppliers, entering into contract with suppliers, continuous monitoring and assessment, supervising the compliance with related human right requirements on the working environment of suppliers. We used ERP system to undertake central management of core supply-chain operation by monitoring the global supply chain on a real time basis. We are also constantly strengthening and upgrading our real-time supply chain management systems to optimize new product planning and management.

Additionally, the Company also set up emergency mechanism for procurement management of raw materials. For instance, we look for various sources of supply for each type of raw materials without reliance on single supplier.

B6. Product Liability

Our vision is to “create fun, lasting experiences for everyone in the world through the products and services we provide”. We devote efforts to provide top-notch, safe and high-quality products in the industry.

We ensure all products and services that we offer comply with material laws and regulations related to health, safety and intellectual property. We abide by laws and regulations related to advertising, labelling and privacy that are significant to us, and make all efforts to avoid any false or misleading information in our advertisements and during communication with consumers. If any health, safety and label problems relating to our products are found, we will immediately make notifications to terminate or suspend sales/wholesaling of such products.

B6.1 Product Safety and Quality Management

The Company is an enterprise operated globally with products being marketed and sold across the world. Compliance with safety standards and quality requirements of various countries and regions is required for the products we sell. The Company has attached great importance to global safety standards. Our global compliance teams continuously monitor safety rules across the world, and report weekly to our headquarter and communicate promptly with R&D teams to make necessary adjustments to specifications of relevant products. In the meantime, our central laboratory in our site in Shanghai conducts thorough tests and assessments on our products to ensure that they conform with the relevant standards.

In addition, the Company has established a quality control team consisting of over 300 members. Such team is responsible for ensuring continuous operation of the Company’s product quality assurance system covering different stages, from the early stage of product development all the way through the end of the product cycle; and also for exerting quality control over product design, development and production, after-sales and other phases. This comprehensive system enables us to identify and rectify potential quality issues during the early stages of product development, and to ensure compliance of all products manufactured with relevant quality standards.

During 2017, the Company maintained close co-operation with a number of international renowned independent third party product testing and certification institutions, including Shanghai branch of SGS-CSTC Standards Technical Services Co., Ltd. (SGS), Shanghai branch of TUV Rheinland, Shanghai branch of TUV SUD, Shanghai branch of Intertek, Bureau Veritas Consumer Products Services (Shanghai) Co., Ltd. (必維申美商品檢測（上海）有限公司) for product testing and certification. We have obtained product testing reports and certifications issued by such institutions, proving compliance of our products with technological standards of products as well as laws and regulations in relevant countries and regions.

B6.2 After-sales Management of Product

As a part of our commitment to providing an excellent consumers' experience, the Company places a strong emphasis on the aftersales services to end-consumers. Our warranty policy, service and repair information of product are set out in our official website.

As at 31 December 2017, the Company has set up 41 customer service centres across the world, 11 of which are operated by third-party professional organisations, so as to provide better after-sales services to consumers in the world and handle their complaints and feedback in a timely manner. In addition, we selectively engage third-party regional relationship managers to operate some of our customer service centres. The headquarters-based customer service department monitors the global after-sales function through an information system, while overseas subsidiaries are responsible for daily operations of customer service centre in their respective region and nearby areas.

To provide sufficient protection of consumer's rights, the Company purchases product liability insurance from related commercial insurance institutions, which covers the potential injury, death or property loss caused by our products exported from the PRC.

B6.3 Product Recall Due to Safety and Health Reasons

During the Reporting Period, the Company did not encounter any recall of products sold or delivered due to safety and health reasons.

B6.4 Complaints on Products and Services and Response

The Company places great emphasis on customer complaints and has a global aftersales services information system in place to gather and analyze customer feedback and complaints so as to understand the users' experiences. We work closely with our regional relationship managers and retailers customers on product returns and consumer feedback. Feedbacks from end-consumers are processed by our customer service centers while complaints from our customers are processed by our headquarters-based sales operations team. We take complaints seriously and investigate the underlying causes for each complaint. If we identify any product defect that we are responsible for, we will offer to replace the product with a new one or repair the product free of charge and carry out remedial measures as necessary. Even if we conclude that we are not at fault, we give an explanation to the consumer to seek mutual understanding, and assist with alternative solutions. In addition, we maintain a 24-hour consumer service hotline to ensure that consumer complaints are handled promptly.

The Company collects product information from relevant consumers and traces the source of any defects through the aftersales service system, and uses this information to adjust and enhance our production and quality control processes to avoid similar quality issues from recurring. This information relating to our product quality or users experiences is sent to the quality assurance team, which in turn identifies the issues and sends this information to the research and development team and/or the responsible product group engineers. This information assists our product group engineers and our research and development team in formulating preventive measures or new designs to prevent similar problems.

B6.5 Safeguarding Customer Information

The Company has a high regard for information security of consumers. We translate the Chinese Privacy Policy and Service Terms of the Company into all European languages including Russian and make them available on the Company's website for global consumers to understand our policy.

The Company has established corresponding security procedures and measures to safeguard the consumer information by protecting the Company's servers and networks for personal information storage. In compliance with and execution of relevant national and regional laws and regulations relating to personal information security and privacy, we use relevant information with the service of statutory obligation. The Company has committed that we will not sell, lease or share with any third parties any personal information of consumers without the consents of consumers.

B6.6 Protection of Intellectual Properties

The Company gives priority to protection of intellectual properties by protecting its own intellectual properties and respecting third-parties' intellectual properties. As of 31 December 2017, the Company had 98 patents and 114 pending patent applications domestically and internationally.

The Company has established clear management approach and objectives of intellectual properties and put in place management measures for intellectual properties as in "implementation through leadership, mechanism, system, workforce and operation expenditure". The Company has set up intellectual property management system, which has passed the examination of the national standard GB/T29490-2013 "Enterprise Intellectual Property Management". It regulates the resource management of intellectual properties and expressly stipulates the requirements of intellectual property management in respect of important processes, such as research and development activity, raw material procurement, production, sales, foreign trade, etc. It guarantees the control over the intellectual property management activity during each important process of production and operation and prevents loss of our intellectual property rights or infringement of third-parties' intellectual properties, including but not limited to trademark, patent, copyright, trade secret, industrial design, commercial feature, product information, product sample, photo and video, etc.

During the Reporting Period, all product offered by the Company complied with safety requirements stipulated by international and regional laws and regulations and it was not aware of any material incompliance with relevant laws and regulations in respect of product and service health and safety, label and privacy issues in any nation or region where we have business operation.

B7. Anti-corruption

The Company endeavours to comply with international and domestic laws and regulations in relation to the prevention of bribery, extortion, fraud and money laundering, including but not limited to "The United Nations Convention against Corruption" and "Anti-Money Laundering Law of the People's Republic of China".

Through identifying source of corruption risks during business operation, the Company has established a risk alert mechanism to strengthen check and balance mechanism of power and internal control mechanism. The Company has developed internal regulations in respect of anti-corruption and anti-fraud, including third-party payment management requirement, anti-money laundering management requirement, requirement on procurement representative to enter into an integrity code, whistle-blowing management system, compliance policy and implementation details of customer-distributor management, etc.

As a regular department responsible for eliminating fraudulent activities, the internal audit department has set up an open whistle-blowing hotline and e-mail address to receive and investigate reports of misconduct and dishonesty. For instance, suspected cases of corruption, malpractice and fraud violating the national laws shall be referred to the department of justice for follow-up.

During the Reporting Period, there was no corruption litigation case initiated and concluded against the issuer or its employees.

B8. Social Investment

The Company has created many job opportunities for local society and always played an active role in the charity activities in the urban communities where our operation and projects are located. We also encourage staff members to participate in various internal and external community activities. Currently, the Company focuses on social engagement and contribution including charitable donation, blood donation and elderly visits. For example, in August 2017, Bestway (Nantong) Recreation Corp. (南通榮威娛樂用品有限公司), a subsidiary of the Company made donation to the Charity Foundation of Rugao, Jiangsu (x江蘇如皋慈善基金會) to fund the expenditure of the charity activities. Bestway Inflatables & Material Corp.) (上海榮威塑膠工業有限公司), a subsidiary of the Company actively responded to Shanghai government, and arranged the staff members to take part in the voluntary blood donation at the blood donation station in Jiading, Shanghai in May 2017. The company rewarded those took part in the blood donation with 2-day paid leave. Besides, the Company occasionally organized staff visits to elderly care centers to show their care for the elderly's living.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board has committed to achieving good corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders and to enhance corporate value and accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Company has adopted the CG code as its own code of corporate governance.

The shares of the Company were listed on the Stock Exchange on November 16, 2017. Therefore, the code provisions as set out in the CG Code were not applicable to the Company prior to the Listing Date. The Board is of the view that the Company has complied with the applicable code provisions as set out in the CG Code during the period from the Listing Date up to the date of this annual report, save for code provision A.2.1 of the CG Code, details of which are explained in the relevant paragraphs in this report.

The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the transactions of securities of the Company by its directors (the "**Directors**") and the relevant employees who likely possess inside information of the Company.

Specific enquiry has been made of all the Directors who have confirmed that they have complied with the Model Code throughout the period from the Listing Date to December 31, 2017 (the "**Relevant Period**").

During the Relevant Period, the Company is not aware of any incident of non-compliance of the Model Code by the relevant employees.

BOARD OF DIRECTORS

The Board of the Company comprises the following Directors:

Executive Directors:

Mr. Zhu Qiang *(Chairman and chief executive officer)*
Mr. Liu Feng
Mr. Tan Guozheng
Mr. Duan Kaifeng

Independent Non-executive Directors:

Mr. Dai Guoqiang
Mr. Lam Yiu Kin
Mr. Yao Zhixian

The biographical information of the Directors and the relationship between the members of the Board are set out in the section headed "Biographies of Directors and Senior Management" on pages 66 to 72 of this annual report.

Insurance for Directors

Code provision A.1.8 stipulates that an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Company has arranged for appropriate insurance cover to protect Directors from possible legal action against them.

Chairman and Chief Executive officer

The Company has appointed Mr. Zhu Qiang as both the chairman and chief executive officer, who is primarily responsible for formulating overall development planning and strategic management, overseeing global management of the BESTWAY brand, making major business decisions and formulating overall operation management of the Group. The Board believes that vesting the roles of the chairman and chief executive officer in the same individual would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors and independent non-executive Directors.

Independent Non-executive Directors

In compliance with the Listing Rules, the Company has appointed three independent non-executive Directors, representing at least one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Directors is engaged on a service agreement (for executive Director) for a term of three years or an appointment letter (for independent non-executive Director) for a term of one year, commencing from the Listing Date and is subject to provision for retirement by rotation and re-election pursuant to the articles of association of the Company (the "**Articles**") and the Listing Rules.

In accordance with the Articles, one third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and any Director appointed by the Board or elected by the Shareholders to fill a casual vacancy or as an addition to the Board shall hold office until the next following general meeting of the Company after his/her appointment and be subject to re-election at such meeting.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the businesses, strategic decisions and performance of the Group and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board should take decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate.

Immediately prior to the Listing, all Directors have been given the relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interest.

In addition, relevant reading materials including legal and regulatory updates have been provided to the Directors for their reference and studying.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Management Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the website of the Company and of Hong Kong Exchanges and Clearing Limited ("**HKEX**") and are available to Shareholders upon request.

The majority of the members of each Board committee (except the Risk Management Committee) are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 156 of this annual report.

Audit Committee

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting system, internal control procedures and risk management system, relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

No meeting had been held by the Audit Committee during the year ended December 31, 2017 as the shares of the Company were only listed on the main board of the Stock Exchange on November 16, 2017. From the Listing Date and up to the date of this annual report, one Audit Committee meeting was held on March 19, 2018 to review the annual financial results and report and major internal audit issues, re-appointment of external auditors and relevant scope of works, connected transactions and arrangements for employees to raise concerns about possible improprieties. All members of the Audit Committee attended the meeting in person.

Remuneration Committee

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

No meeting had been held by the Remuneration Committee during the year ended December 31, 2017 as the shares of the Company were only listed on the main board of the Stock Exchange on November 16, 2017. From the Listing Date and up to the date of this annual report, one Remuneration Committee meeting was held on March 19, 2018 for considering and recommending to the Board the remuneration and other benefits paid by the Company to the Directors and senior management and other related matters. All members of the Remuneration Committee attended the meeting in person.

Nomination Committee

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning for Directors, and assessing the independence of independent non-executive Directors.

The Board has adopted a "Board Diversity Policy" to achieve and maintain diversity on the Board in order to strengthen the performance of the Board, promote effective decision-making and better corporate governance and monitoring. The Company considered that diversity of board members can be achieved through consideration of number of aspects, including but not limited to skills, experience and cultural and educational background, geographical, industry and professional experience, ethnicity, gender, age, knowledge and length of service.

Based on the business needs of the Group, the Nomination Committee has recommended and the Board has adopted the following measurable objectives:

(a) a prescribed proportion of Board members shall be non-executive Directors or independent non-executive Directors; and

(b) a prescribed proportion of Board members shall have obtained accounting or other professional qualifications.

The Nomination Committee shall monitor the implementation of the Board Diversity Policy and review the progress of its measurable objectives from time to time.

No meeting had been held by the Nomination Committee during the year ended December 31, 2017 as the shares of the Company were only listed on the main board of the Stock Exchange on November 16, 2017. From the Listing Date and up to the date of this annual report, one Nomination Committee meeting was held on March 19, 2018 to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and make recommendation to the Board on the re-election of the retiring Directors. All members of the Nomination Committee attended the meeting in person.

Risk Management Committee

The primary functions of the Risk Management Committee include overseeing the risk management and internal control systems so as to enhance the Company's risk management ability and improve corporate governance of the Company, as well as to monitor the latest sanctions-related risks the Group's operations may be exposed to.

No meeting had been held by the Risk Management Committee during the year ended December 31, 2017 as the shares of the Company were only listed on the main board of the Stock Exchange on November 16, 2017. From the Listing Date and up to the date of this annual report, one Risk Management Committee meeting was held on March 9, 2018 for reviewing and assessing the effectiveness of the financial reporting system, risk management and internal control systems of the Company and reviewing the use of proceeds from initial public offering. All members of the Risk Management Committee attended the meeting in person.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of its directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code by the Directors and relevant employees, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORD OF BOARD MEETINGS

No meeting had been held by the Board since the Listing Date up to December 31, 2017. Subsequent to the end of 2017 and up to the date of this annual report, one Board meeting and no general meeting was held. All Directors attended the Board meeting in person.

Going forward, the Board will hold at least four meetings each year at approximately quarterly intervals to discuss the Group's business development, operations and financial performance. Notice of at least 14 days will be given to all Directors for all regular Board meetings and a formal agenda was addressed to the Directors together with the notice. All Directors were provided with adequate information which enabled them to make informed decisions on the matters discussed and considered at the Board meetings. The Directors can obtain independent professional advice at the Company's expense when required.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2017.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 73 to 77 of this annual report.

AUDITORS' REMUNERATION

An analysis of the remuneration paid to the external auditors of the Company, PricewaterhouseCoopers, in respect of audit services and non-audit services for the year ended December 31, 2017 is set out below:

Service Category	Fees Paid/Payable US$
Audit Services	425,051
Non-audit Services[1]	10,253
Total	435,304

Note:

(1) tax advisory and other tax-related services

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has committed to ensure the effectiveness of risk management and internal control systems of the Company. The Board has continuously overseen the management in the design, implementation and monitoring of the risk management and internal control systems of the Company.

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. The systems are designed to manage rather than eliminate the risk of failing in achieving our business objectives, and can only provide a reasonable and not absolute assurance against material misstatement or loss.

The Company has established an organizational structure with clear division of duties and positions as well as reporting procedures. The Risk Management Committee, Audit Committee and legal and compliance department work closely with our internal audit department to assist the Board in continuous review of the effectiveness of the Company's risk management and internal control systems. The Audit Committee reports to the Directors on major risks which may have potential impacts on the performance of the Company regularly.

During the year ended December 31, 2017, the management conducted an internal assessment and consolidation of relevant risks faced by the Company. There is no material change in the nature and extent of the risks faced by the Company and the Company is confident of its capability to handle such risks and relevant measures has been implemented.

The Company has set up the internal audit function department with appropriate workforce to complement the management in the continuous enhancement of internal control efforts.

During the year ended December 31, 2017, the Board assigned the internal audit department to conduct an assessment on internal systems of the Group, including financial control, operation control, compliance control, risk management, etc.. No material issue or flaw was found in the internal control systems. The Board is of the opinion that the current internal control systems of the Company are effective and there are sufficient resources in terms of qualification and experience, training programmes received by employees and relevant budget for accounting, internal audit and financial reporting functions of the Company.

During the year ended December 31, 2017, the Company did not experience any material control oversight or deficiency. Procedures in respect of financial reporting and compliance with the requirements of the Listing Rules remain effective.

Risk management of the Company is conducted based on the foundation of the Company's internal control systems. It involves the participation of the Board, operating management and staff members of the Company and is adopted in formulating the Company's strategic development plan. It includes risk control processes applicable to various stages and functions throughout our internal operation and is used for identifying matters that may have potential impacts on the Company. Such processes are aimed to manage risks within the risk profile of the Company and provide reasonable assurance for realization of its operating objectives.

Objectives of the risk management and internal control implemented by the Company include:

(1) Identifying matters that may have potential impacts on the Company;

(2) Formulating appropriate control measures for risk management within our risk profile;

(3) Providing reasonable assurance for the Board and the management in achieving its operating objectives.

Procedures used by the Company for identification, assessment and management of significant risks, as well as review of the effectiveness of the risk management and internal control systems include:

- Reviewing existing documentation and conducting interviews with management and key business officers of the Company to identify key risks, and keeping records in the internal risk assessment report

- Identifying, consolidating and analyzing existing and potential risks

- Evaluating and formulating tackling measures in response to identified risks

- Implementing testing procedures to confirm the existence of key controls and effectiveness of control in the course of operations

- Identifying possible defects in respects of control designs and exercise of control in the course of key operations

- Confirming relevant issues and arriving at a modification plan in response to the internal control defects, and following up the implementation

Prior to the Listing, the Company engaged an external consulting firm to review the internal control of the Company. The consulting firm provided advices for improvement regarding issues identified in the review and reported to the Audit Committee. Our management took follow-up measures regarding the implementation and arranged subsequent review work.

Additionally, the Company has established a disclosure policy to provide relevant guidance for Directors, management staff and relevant employees of the Company in respect of handling confidential information, publication of inside information, monitor information disclosure and responses to enquiries. The Company has implemented controls to minimize the occurrence of unauthorized access and use of inside information.

JOINT COMPANY SECRETARIES

Mr. Zhao Wei, general manager of Bestway (Hong Kong) International Limited which is a wholly-owned subsidiary of the Company, together with Ms. Choy Yee Man of Tricor Services Limited, which is an external service provider, have been engaged by the Company as its joint company secretaries. The biographical information of Mr. Zhao Wei and Ms. Choy Yee Man are set out in the section headed "Biographies of Directors and Senior Management" of this annual report. Mr. Zhao Wei and Ms. Choy Yee Man have confirmed that they had compiled with Rule 3.29 of the Listing Rules. The primary contact person at the Company is Mr. Zhao Wei.

SHAREHOLDERS' RIGHTS

To safeguard Shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of HKEX after each general meeting.

Convening an Extraordinary General Meeting by Shareholders

Pursuant to Article 12.3 of the Articles, any two or more Shareholders or any one Shareholder which is a recognized clearing house (or its nominee(s)) (the "**Requisitionist(s)**") holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the Requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Putting Forward Proposals at General Meetings

There are no provisions in the Articles or the Cayman Islands Companies Law for Shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Suite 713, 7/F, East Wing, Tsim Sha Tsui Centre,
66 Mody Road, Tsim Sha Tsui,
Kowloon, Hong Kong
(For the attention of the Joint Company Secretary)

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Company's business performance and strategies. The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

The Company maintains a website at www.bestwaycorp.com as a communication platform with Shareholders of the Company and investors, where the financial information and other relevant information of the Company are available for public access.

Constitutional Documents

In preparation for the Listing, the Company has conditionally adopted the Amended and Restated Memorandum and Articles of Association by special resolution passed on October 18, 2017 which became effective on November 16, 2017. Since the Listing Date and up to the date of this annual report, the Company has not made any changes to the Articles. An up-to-date version of the Articles is also available on the Company's website and HKEX's website.

REPORT OF THE DIRECTORS

The Board is pleased to present the report of the Directors together with the audited consolidated financial statements of the Group for the year ended December 31, 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is a global leading branded company for outdoor leisure products, led by a professional team with extensive industry experience. The shares of the Company were listed on the Main Board of the Stock Exchange on November 16, 2017.

Segment analysis of the Company for the year ended December 31, 2017 is set out in Note 5 to the consolidated financial statements. A list of the Company's subsidiaries, together with their places of incorporation, principal activities and particulars of their issued shares/registered share capital, is set out in Note 15 to the consolidated financial statements.

BUSINESS REVIEW

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the Group's business, particulars of important events affecting the Group that have occurred since the end of the financial year, an indication of likely future development in the Group's business, and an analysis using financial key performance indicators can be found in the Management Discussion and Analysis of this annual report set out on pages 8 to 19. Further details relating to the Group's relationships with its key stakeholders, the Group's environmental policies and performance, as well as the compliance with the relevant laws and regulations that have a significant impact on the Group can be found in the Environmental, Social and Governance Report on pages 27 to 42. The Management Discussion and Analysis and the Environmental, Social and Governance Report form part of this report of the Directors.

FINANCIAL RESULTS

The results of the Group for the year ended December 31, 2017 are set out in the consolidated statement of comprehensive income on page 79.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the financial position of the Group for the last four years is set out on page 155 of this annual report.

SHARE CAPITAL

For the purpose of Capitalization Issue as defined in the Prospectus and Listing, the Company had 1,058,391,000 issued Shares as at December 31, 2017. Details of the movement in the share capital of the Company during the year ended December 31, 2017 are set out in Note 26 to the consolidated financial statements.

FINAL DIVIDEND

The Board has recommended a final dividend of US$14,288,279, or US$0.0135 per Share (equivalent to approximately HK$0.1055 per Share). Such dividend will be proposed for approval at the annual general meeting of the Company (the "**AGM**") to be held on May 10, 2018, and, if approved, is expected to be distributed on June 8, 2018 to Shareholders whose names appear on the register of members of the Company on May 18, 2018.

DONATIONS

During the financial year, the Group made charitable and other donations in an aggregate amount of approximately US$121,000.

CLOSURE OF REGISTER OF MEMBERS

For ascertaining Shareholders' rights to attend and vote at the forthcoming annual general meeting of the Company (the "**AGM**"), the register of members of the Company will be closed from May 7, 2018 to May 10, 2018, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on May 4, 2018 for registration.

In addition, in order to determine the entitlement of the Shareholders to receive the final dividend, the register of members of the Company will be closed from May 16, 2018 to May 18, 2018, both days inclusive. In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on May, 15 2018 for registration. The record date and time for entitlement to the proposed finial dividend for 2017 is May 18, 2018 at 4:30 p.m..

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year ended December 31, 2017 are set out in Note 41 to the consolidated financial statements. As of December 31, 2017, the Company's distributable reserves amounted to US$182,266,922, as calculated pursuant to the Companies Law of the Cayman Islands.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements of our property, plant and equipment during the year ended December 31, 2017 are set out in Note 17 to the consolidated financial statements.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The Shares were listed on the Main Board of the Stock Exchange on November 16. 2017. The net proceeds from the Listing were US$142.0 million after deducting underwriting commissions and all related expenses. The intended use of the net proceeds are disclosed in the section "Future Plans and Use of Proceeds" in the Prospectus. Utilized net proceeds as of December 31, 2017 amounted to HK$595.5 million (equivalent to approximately US$76.2 million) for expansion of production capacity, repayment of short-term bank borrowings, product development, marketing events, improvement of enterprise resource planning system ("**ERP**"), working capital and other general corporate purposes. The Company intends to use the remaining net proceeds in the coming years in accordance with the purpose set out in the Prospectus. For further details, please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in the Prospectus.

As of December 31, 2017, the Group has utilized the net proceeds as follows:

	Percentage to total amount	Net proceeds US$ million	Utilized amount US$ million	Unutilized amount US$ million
Expansion of production capacity	37%	52.5	17.0	35.5
Repayment of short-term bank borrowings	35%	49.7	46.6	3.1
Product development	9%	12.8	0.3	12.5
Marketing events	5%	7.1	0.3	6.8
Improvement of ERP system	5%	7.1	0.2	6.9
Working capital and other general corporate purposes	9%	12.8	11.8	1.0
	100%	142.0	76.2	65.8

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Since the Listing Date and up to December 31, 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

BOARD COMMITTEES

Please refer to page 46 to 48 of the Corporate Governance report for further details in relation to (1) Remuneration Committee, (2) Audit Committee, (3) Nomination Committee and (4) Risk Management Committee as established by the board of Directors.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Directors:

Mr. Zhu Qiang *(Chief executive officer)*
Mr. Liu Feng
Mr. Tan Guozheng
Mr. Duan Kaifeng (appointed on May 10, 2017)

Independent non-executive Directors:

Mr. Dai Guoqiang (appointed on October 18, 2017)
Mr. Lam Yiu Kin (appointed on October 18, 2017)
Mr. Yao Zhixian (appointed on October 18, 2017)

All of the above Directors shall hold office until the AGM pursuant to article 16.2 or article 16.3 of the articles of associations of the Company. All of the above retiring Directors, being eligible, will offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

None of the Directors offering for re-election at the AGM has a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS OF SIGNIFICANCE AND COMPETING BUSINESS

Save as disclosed under the section headed "Related Party Transactions" below and Note 39 "Related party transactions" to the consolidated financial statements, no contracts of significance (as defined in Appendix 16 to the Listing Rules) in relation to our business to which the Company, its holding company or any of its subsidiaries was a party and in which a Director or controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of 2017 or at any time during 2017.

None of the Directors is interested in any businesses apart from our business which competes or is likely to compete with our business, either directly or indirectly or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

SANCTIONS RISKS MANAGEMENT

As disclosed in the Prospectus, the Board had developed its system on evaluating the sanctions risks prior to determining whether the Company should embark on any business opportunities in the countries, or with the individuals, sanctioned by the United States ("**U.S.**"), the European Union ("**E.U.**"), the United Nations or Australia, including but without limitation, any government, individual or entity that is subject to any the U.S. Department of Treasury's Office of Foreign Assets Control administered sanctions ("**Sanctioned Countries**" or "**Sanctioned Persons**"). Our risk control department assist our risk management committee in the day-to-day monitoring of our sanctions risks, including reviewing existing and potential customers' information against our control list of Sanctioned Countries and persons and entities designated pursuant to U.S., E.U. and Australian sanctions programs. The Company would seek advices from reputable external international legal counsels with necessary expertise and experience in matters relating to international sanctions laws if the Company encounters any possible sanctions risk. From the Listing Date to December 31, 2017, the Board had conducted a review of the system's effectiveness in preventing any prohibited or otherwise restricted sales to Sanctioned Countries or Sanctioned Persons.

RELATED PARTY TRANSACTIONS

Details of the related party transactions were set out in Notes 39 to the consolidated financial statements. Details of any related party transaction which constitute continuing connected transaction not exempted under Chapter 14A of the Listing Rules are disclosed below.

CONTINUING CONNECTED TRANSACTIONS

Upon the Company's Listing, the parties listed below became connected persons to the Company and the transactions entered into by the Group with them constitute non-exempt continuing connected transactions:

上海事通塑膠製品廠 (Shanghai Shitong Plastic Production Factory) ("**Shanghai Shitong**") and 上海亞鳴塑膠製品廠 (Shanghai Yaming Plastic Production Factory) ("**Shanghai Yaming**"), being companies controlled by Mr. Zhu Qiang's sisters, and 上海明威印務有限公司 (Shanghai Mingwei Printing Limited Co.) ("**Shanghai Mingwei**"), 上海九豐塑料製品有限公司 (Shanghai Jiufeng Plastic Production Factory) ("**Shanghai Jiufeng**"), 上海凱良塑料製品有限公司 (Shanghai Kailiang Plastic Production Factory) ("**Shanghai Kailiang**"), 上海捷茂塑膠有限公司 (Shanghai Jiemao Plastic Limited Co.) ("**Shanghai Jiemao**") and 南通捷茂塑膠有限公司 (Nantong Jiemao Plastic Limited Co.) ("**Nantong Jiemao**", and together with Shanghai Shitong, Shanghai Yaming, Shanghai Mingwei, Shanghai Jiufeng, Shanghai Kailiang and Shanghai Jiemao, the "**Connected Suppliers**"), being companies controlled by family members of Mr. Zhu Qiang, an executive Director and one of the Controlling Shareholders.

Historically, the Group had been purchasing injection molding and printed products from the Connected Suppliers due to the family relationship between Mr. Zhu Qiang and the shareholders of the Connected Suppliers, which secures more convenient and efficient logistics, more reliable product quality and better service quality. The Group would continue to carry on the relevant transactions in order to satisfy high demand for products. On November 3, 2017, the Company entered into a purchase framework agreement with the Connected Suppliers to govern the relevant transactions (the "**Purchase Framework Agreement**"). The summary table of Purchase Framework Agreement is as follow:

Agreement date	Counterparties	Term of agreement	2017 Annual cap (RMB)	Amount for the year (RMB)
November 3, 2017	Connected Suppliers	November 16, 2017 to December 31, 2019	40 million	42.85 million

The aggregate purchase amount of injection molding and printed products payable under the Purchase Framework Agreement is determined as follows:

(a) tender process, which a tender will be offered to at least two independent bidders for injection molding and printed products in similar quantities. The chief officer of the procurement department will evaluate the following factors to determine if the price and terms offered by the Connected Suppliers are fair and reasonable: (1) the terms of tender proposals offered by the participating bidders, including tender price and other response to specifications set by the Group; (2) the background, qualifications and financial position of participating bidders; and (3) the experience of participating bidders in producing similar products. The tender procedures shall comply with the relevant local regulations; and

(b) after arms' length negotiation between the parties based on the following principles:

   i. by reference to the prevailing market prices of similar products provided by independent third parties under normal commercial terms in the ordinary course of business in the vicinity;

   ii. by reference to the prices of non-connected transactions between the connected parties and independent third parties; and

   iii. in any event at prices and terms no less favourable than those offered by independent third parties.

The Company's auditors were engaged to report on the Group's non-exempt continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their qualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above and

(a) nothing has come to their attention that causes them to believe that the abovementioned continuing connected transactions have not been approved by the Board.

(b) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

(c) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

(d) with respect to the aggregate amount of the continuing connected transactions, the disclosed continuing connected transactions have exceeded the annual cap as set by the Company for the year ended December 31, 2017.

For details of the aggregate amount of the abovementioned continuing connected transactions having exceeded the annual cap as set by the Company for the year ended December 31, 2018, please refer to the announcement of the Company dated February 26, 2018.

The independent non-executive Directors of the Company have reviewed these transactions and confirmed that the non-exempt continuing connected transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Directors confirm that the Company has complied with the requirements of Chapter 14A of the Listing Rules in respect of all of its continuing connected transactions.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES

As at December 31, 2017, the interests of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), (ii) which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or (iii) which were notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, were as follows:

1. Interest in Shares or Underlying Shares of the Company

Name of Director	Nature of interest	Number of Shares	Approximate percentage of shareholding interest[1]
Mr. Zhu Qiang	Interest in controlled corporation	793,793,000	75.00%

Notes:

(1) As as December 31, 2017, the total number of issued shares of the Company was 1,058,391,000.

(2) These Shares were beneficially owned by Great Success Enterprises Holdings Limited (榮成實業控股有限公司) ("**Great Success**") which is 72.4% owned by Great Access Industry Inc. (榮達實業有限公司) ("**Great Access**"). Great Access is owned as to 92.0% by Mr. Zhu Qiang and 8.0% by his son, Mr. Zhu Jiachen. Accordingly, Mr. Zhu Qiang is deemed or taken to be interested in all the Shares which are beneficially owned by Great Success for the purpose of Part XV of the SFO.

2. Interest in Shares of Associated Corporations of the Company

Name of Director	Name of associated corporation	Nature of interest	Number of shares in the associated corporation	Percentage of shareholding[4]
Mr. Zhu Qiang[1][2]	Great Success	Interest in controlled corporation	756	72.41%
	Great Access	Beneficial owner	92	92.00%

Notes:

(1) Great Success is owned as to approximately 72.4%, 8.1%, 18.0% and 1.5% by Great Access, Outland Enterprise Company Limited (奧特蘭實業有限公司) ("**Outland Enterprise**"), Mr. Bogdan Nowak and Mr. Patrizio Fumagalli, respectively.

(2) Great Access is owned as to 92.0% and 8.0% by Mr. Zhu Qiang and his son, Mr. Zhu Jiachen, respectively.

Save as disclosed above, as of December 31, 2017, so far as is known to the Directors, none of the Directors and the chief executives of the Company had or were deemed to have any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified under Divisions 7 and 8 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at December 31, 2017, the following persons (other than the Directors and chief executives of the Company) had interest in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Nature of Shareholder	Capacity/Name of interest	Number of Shares	Approximate percentage of interest in the Company(1)
Great Success	Beneficial owner	793,793,000	75.00%
Great Access(2)	Interest in controlled corporation	793,793,000	75.00%

Notes:

(1) As at December 31, 2017, the total number of issued shares of the Company was 1,058,391,000.

(2) Great Access beneficially owned approximately 72.4% of the issued shares of Great Success and accordingly is deemed to be interested in 793,793,000 Shares held by Great Success for the purpose of Part XV of the SFO.

EQUITY-LINKED AGREEMENTS

Save for the share-based payments scheme as set out below, the Company has not entered into any equity-linked agreement during the year ended December 31, 2017.

SHARE-BASED PAYMENTS SCHEME

Save as disclosed below and Note 28 to the consolidated financial statements, the Company does not have other share option schemes.

The Company operates a share option scheme ("**Share Option Scheme**") approved on October 18, 2017 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include (i) any director and employee of any member of the Group and its invested entities; and (ii) any customer, business or joint venture partner, advisor, consultant, contractor, supplier, agent or service provider of the Group and its invested entities together with their full-time employees. The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or the other share option scheme adopted by the Company is 105,839,100 Shares, representing 10% of the issued share capital of the Company as at the date of this annual report. Under the Share Option Scheme, the Directors may, at their discretion, at anytime during 10 years from the date of adoption of the Scheme, invite employees and officers of any member of the Group to subscribe for shares of the Company in accordance with the terms of the Scheme. A consideration of HK$1 shall be payable on acceptance of an offer of option.

The subscription price shall be a price determined by the Board but in any event shall be at least the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of offer;

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer; and

(iii) the nominal value of the Shares.

There is no minimum period for which any option must be held before it can be exercised and no performance target which need to be achieved by a grantee before the option can be exercised unless the Board otherwise determined and stated in the offer letter of the grant of options.

The new Shares, when issued and fully paid, will rank pari passu among themselves and with the shares currently in issue, pursuant to the Share Option Scheme.

Unless approved by Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that grantee on exercise of his options (including both exercised and outstanding options) during any 12 month period exceeding 1% of the total Shares then in issue.

Any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates (as defined in the Listing Rules) must be approved by the Shareholders in general meeting if the Shares issued and to be issued upon exercise of all options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) in the 12 month period up to and including the proposed date of grant:

(i) would represent in aggregate more than 0.1% of the Shares then in issue; and

(ii) would have an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5,000,000 (or such other amount as shall be permissible under the Listing Rules from time to time).

Details of option grant are set out in Note 28 to the consolidated financial statements.

On December 18, 2017 (the "**Date of Grant**"), the Company has granted 10,000,000 share options to one employee of the Group to subscribe for up to 10,000,000 Shares under the Share Option Scheme. The details were as follow.

The table below sets out the total number of shares options granted under the Share Option Scheme since the Listing Date and up to December 31, 2017.

Category	Date of Grant[1]	Exercise price per Share (HK$)	Exercise Period[2]	Balance as at January 1, 2017	Number of share options: Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Balance as at December 31, 2017
Employee of the Group	December 18, 2017	3.028	December 18, 2018 to December 18, 2022	0	10,000,000	0	0	10,000,000

Notes:

(1) The closing price of the shares of the Company immediately before the date on which the options were granted was HK$3.00. The fair vaule of the share options granted is set out in Note 28 to the consolidated financial statements.

(2) Subject to the terms and conditions of the Share Option Scheme, 2,500,000 Share Options will be vested on the date falling on the first, second, third and fourth anniversary of the Date of Grant, respectively.

Save as disclosed above, no other options under the Share Option Scheme were outstanding at the beginning or at the end of the year ended December 31, 2017 and no other options were granted, exercised, cancelled or lapsed at any time during the year.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

Great Success, Great Access, Outland Enterprise, Mr. Bogdan Nowak, Mr. Patrizio Fumagalli, Mr. Zhu Qiang and Mr. Zhu Jiachen are the controlling shareholders (has the meaning ascribed thereto in the Listing Rules) of the Company (collectively, the "**Controlling Shareholders**"). To ensure that direct and indirect competition does not develop between us and the Controlling Shareholders' other activities, our Controlling Shareholders have entered into a deed of non-competition (the "**Deed of Non-Competition**") as set out in section headed "Relationship with Controlling Shareholders — Non-Competition Undertaking" in the prospectus of the Company dated November 6, 2017 (the "**Prospectus**"). The Controlling Shareholders confirmed their compliance of all the undertakings provided under the Deed of Non-Competition. There are no matters which are required to be deliberated by the independent non-executive Directors in relation to the compliance and enforcement of the Deed of Non-Competition and it is considered that the terms of the Deed of Non-Competition have been complied by the Controlling Shareholders.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of the Cayman Islands (place of incorporation of the Company) or under the Company's Articles of association which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

EMPLOYEE RETIREMENT BENEFIT

The Group operates post-retirement benefit obligations in the PRC. The level of benefits provided depends on members' length of service and their job titles. The service cost in 2017 of the post-retirement benefits set out in Note 10 to the consolidated financial statements, reflects the increase in the post-retirement benefits results from employee service in the current year, benefit changes, curtailments and settlements.

CORPORATE GOVERNANCE

The Company has adopted the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules. The Board considered that during the period from Listing Date up to the date of this annual report, the Company has complied with the applicable code provisions set out in the CG Code, save for code provision A.2.1 of the CG Code. For details, please refer to the "Corporate Governance Report" on pages 43 to 52 of this annual report.

EMOLUMENT POLICY AND SENIOR MANAGEMENT'S EMOLUMENTS

For details of our remuneration policy and regarding our employees, please refer to the section "B. Social — Employment and Labour Practices" under "Environmental, Social and Governance Report" on pages 34 to 42 in this annual report.

The Company has adopted the model whereby the remuneration committee of the Board (the "**Remuneration Committee**") makes recommendations to the Board on the remuneration packages of individual executive Directors and senior management, which should include benefits in kind, pension rights and compensation payments and any compensation payable for loss or termination of their office(s) or appointment(s), and to make recommendations to the Board on the remuneration of independent non-executive Directors.

In determining or recommending the remuneration packages of the Directors and senior management, the Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management, employment conditions elsewhere in the Group and desirability of performance-based remuneration. In reviewing and approving performance based remuneration, reference will be made by the Remuneration Committee to the Group's corporate goals and objectives resolved by the Board from time to time.

The five individuals whose remuneration was the highest in the Group in 2017 included one Director and four members of the senior management.

The annual remuneration of the members of the senior management (other than the Director) by bands for the year ended December 31, 2017 is set out below:

Remuneration bands	Number of individuals
Within HKD1,000,000	6
HKD1,000,000 to HKD1,500,000	1
Above HKD2,000,000	2

Details of the remuneration of each of the Directors for the year ended December 31, 2017 are set out in Note 42 to the consolidated financial statements.

None of the Directors has agreed to waive any emoluments for the year ended December 31,2017.

NON-COMPETITION UNDERTAKING BY DIRECTORS

None of the Directors of the Company or their respective associates have any interests in a business which competes or may compete with the business of the Company.

MINIMUM PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as of the date of this annual report, the Company has maintained the minimum public float of 25% as required under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or substantial part of the business of the company were entered into or existed during the year ended December 31, 2017.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has taken out and maintained appropriate Directors' liability insurance coverage for the Directors.

MAJOR CUSTOMERS AND SUPPLIERS

The relationship between the Group and our customers has been stable. For the year ended December 31, 2017, the aggregate sales to our five largest customers amounted to US$112.2 million, representing approximately 15.5% of our total revenue in 2017.

The relationship between the Group and our suppliers has been stable. For the years ended December 31, 2017, the five largest suppliers of the Group comprised 38.0% by value of our total purchases during the year, with the largest supplier accounted for 13.4%.

None of the Directors, their close associates or a Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has an interest in any of our five largest customers and suppliers.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the Share Option Scheme, at no time during the year ended December 31, 2017 was the Company or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

BANK LOAN, OVERDRAFTS AND OTHER BORROWINGS

For further details, please refer to the section "Borrowings" under "Management Discussion and Analysis" on page 15 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

It is our corporate and social responsibility in promoting a sustainable and environmental friendly environment. The Group has implemented internal policies and procedures with respect to environmental protection. We spent US$1.5 million, US$1.2 million and US$1.4 million for the years ended December 31, 2015, 2016 and 2017, respectively, as cost of compliance with the applicable environmental laws and regulations. We were ranked as one of the top seven Chinese Suppliers and awarded the "Best Climate Change Performance among Chinese Suppliers" in 2016 by Carbon Disclosure Project (CDP) Global Environmental Information Research Center.

COMPLIANCE WITH LAWS AND REGULATIONS

Our operations are mainly carried out by the Company's subsidiaries in China while the Company itself is listed on the Stock Exchange. Our operations shall comply with relevant laws and regulations in China and Hong Kong. During the year ended December 31, 2017 and up to the date of this annual report, the Group has complied with all the relevant laws and regulations in China and Hong Kong in all material respects.

AUDITOR

The consolidated financial statements for the year ended December 31, 2017 have been audited by PricewaterhouseCoopers, who will retire at the conclusion of the AGM and offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the auditor of the Company will be proposed at the AGM.

On behalf of the Board
Zhu Qiang
Chairman and Chief Executive Officer

Hong Kong
March 19, 2018

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Zhu Qiang (朱強)
Executive Director, chief executive officer and chairman

Mr. Zhu Qiang (朱強), aged 49, is the founder of the Group, our Controlling Shareholder, Chairman, executive Director and chief executive officer of the Company, chairman of the risk management committee and was appointed as a Director on June 25, 2012. Mr. Zhu is responsible for formulating overall development planning and strategic management, overseeing global management of the BESTWAY brand, making major business decisions and formulating overall operation management of the Group. With 23 years of experience with the Group, Mr. Zhu was the general manager when Shanghai Bestway Plastic was established in April 1994, and has become the Chairman and the chief executive officer of the Group since January 2001. Prior to establishing the Group in 1994, Mr. Zhu worked at Shanghai Municipal Foreign Economic Relations and Trade Commission (上海市對外經濟貿易委員會) (currently known as Shanghai Municipal Commission of Commerce (上海市商務委員會)) from July 1990 to June 1993 and was responsible for import and export business such as overseas sales and marketing, sourcing and procurement.

Mr. Zhu graduated from the mechanical faculty of Shanghai Institute of Mechanical Engineering and Technology (上海機械專科學校) (currently known as University of Shanghai for Science and Technology (上海理工大學)) majoring in Mechanical Manufacturing Technology and Equipment in June 1990 and graduated from Fudan University (復旦大學) with an Executive Master of Business Administration ("**EMBA**") degree in January 2008. Over the years, Mr. Zhu has received many awards and accolades acknowledging his contributions to both the industry and the society, such as receiving the Excellent Entrepreneur in Shanghai Light Industry (上海市輕工行業優秀企業家) from the Shanghai Light Industry Association (上海市輕工業協會) in 2010, and the Excellent Entrepreneurship Award (優秀企業家獎) from China Stationery & Sporting Goods Association (中國文教體育用品協會) in 2017.

Liu Feng (劉峰)
Executive Director

Mr. Liu Feng (劉峰), aged 48, is the executive Director and executive vice president of the Company and was appointed as a Director on June 25, 2012. Mr. Liu is responsible for managing government relationships, supervising human resources and general administration of the Group. Mr. Liu joined the Group in May 2002 and has 15 years of experience in management with the Group. Prior to joining the Group, Mr. Liu was the deputy general manager in Shanghai City Real Estate Information Technology Co., Ltd (上海城市房地產信息技術有限公司) from January 1999 to April 2002.

Mr. Liu graduated from Shanghai University of Technology (上海工業大學) (currently known as Shanghai University (上海大學)) with a major in Computer Software in July 1991. Mr. Liu also graduated from Fudan University (復旦大學) with an EMBA degree in June 2010. Furthermore, Mr. Liu obtained the title of intermediate level engineer from Shanghai Engineering Series Light Industry Profession (Electronics) (上海市工程系列輕工專業中級專業技術職務任職資格評審委員會) in December 2015.

Mr. Liu has been a representative of the People's Congress in Jiading District of Shanghai since November 2016.

Tan Guozheng (譚國政)
Executive Director

Mr. Tan Guozheng (譚國政), aged 49, is the executive Director and vice president of the Company and was appointed as a Director on March 31, 2014. Mr. Tan is responsible for overseeing and managing finance and internal control of the Group. Mr. Tan joined the Group in November 2004 and has 13 years of experience in financial control with the Group.

Mr. Tan received tertiary education at Hunan Institute of Building Material Industry (湖南建材工業專科學校) (currently known as Hunan Institute of Technology (湖南工學院)) and graduated in July 1991. Mr. Tan also attended the National Economics Program for master postgraduate students (國民經濟學碩士研究生課程進修班) at the University of Shanghai for Science and Technology (上海理工大學) from April 2005 to June 2007.

Mr. Tan obtained the qualification of certified public accountant (non-practicing) from the Shanghai Institute of Certified Public Accountants (上海市註冊會計師協會) in November 2004 and the qualification of Senior Accountant from the Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局 (in December 2013. Furthermore, Mr. Tan obtained the qualification of certified public valuer (non-practicing) from Shanghai Municipal Bureau (上海市人事局) in November 2006.

Duan Kaifeng (段開峰)
Executive Director

Mr. Duan Kaifeng (段開峰), aged 43, is the executive Director and chief financial officer of the Company and was appointed as a Director on May 10, 2017. Mr. Duan is responsible for accounting, budgeting and overall financial management of the Group. Mr. Duan joined the Group in 2007 and has 10 years of experience in financial management with the Group. Prior to joining the Group, Mr. Duan worked at the finance department of Shanghai Novel Colour Picture Tube Inc., (上海永新彩色顯像管股份有限公司((previously known as Shanghai Novel CPT Co., Ltd (上海永新彩色顯像管有限公司)) from April 2000 to August 2006 and served as the accounting manager at the time of departure.

Mr. Duan graduated from Dongbei University of Finance and Economics (東北財經大學) with a master's degree in Accounting in March 2000.

Mr. Duan obtained the qualification of certified public accountant (non-practicing) from the Shanghai Institute of Certified Public Accountants (上海市註冊會計師協會) in March 2004 and the qualification of Senior Accountant from the Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) in December 2014.

Mr. Dai Guoqiang (戴國強)
Independent non-executive Director

Mr. Dai Guoqiang (戴國強), aged 65, is the independent non-executive Director of the Company and was appointed as a Director on October 18, 2017. Mr. Dai graduated from Shanghai School of Finance and Economics (上海財經學院) (currently known as Shanghai University of Finance and Economics (上海財經大學)), with a bachelor's and a master's degree in January 1983 and July 1987 respectively. Following which, Mr. Dai obtained a Ph.D. in Economics from Fudan University (復旦大學) in July 1994. He was the Dean of the School of Finance of Shanghai University of Finance and Economics (上海財經大學) from March 1999 to April 2006. He was the Party Secretary (黨委書記) of the School of Finance of Shanghai University of Finance and Economics (上海財經大學) from April 2006 to July 2007. He served as the Dean and Party branch Secretary of the Master of Business Administration School of Shanghai University of Finance and Economics (上海財經大學) from July 2007 to April 2011. Mr. Dai served as the Party branch Secretary and associate Dean (黨支部書記兼副院長) of the College of Business of Shanghai University of Finance and Economics (上海財經大學) from April 2011 to March 2017. Mr. Dai has served as a professor of finance of the School of Finance of Shanghai University of Finance and Economics (上海財經大學) since June 1995.

Mr. Dai was the independent non-executive director of Bank of Shanghai Co., Ltd (上海銀行股份有限公司) from February 2004 to June 2009 and has acted as its external supervisor since June 2009. He was an independent non-executive director of Shanghai Fudan Forward Science and Technology Co., Ltd. (上海復旦複華科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600624) from March 2008 to October 2014. Mr. Dai has served as an arbitrator on the panel of China International Economic and Trade Arbitration Commission since May 2014. He also serves as a member of Master of Finance Teaching Guidance Committee under the Ministry of Education of the PRC (中華人民共和國教育部金融專業學位研究生教學指導委員會委員) since January 2011.

Mr. Dai was awarded with the Shanghai Teaching Model Nomination Award (上海市教書育人楷模提名獎) in September 2012, the 3rd Universities Distinguished Teacher Award (第三屆高等學校教學名師獎) from Ministry of Education of the PRC in September 2007, the Shanghai Universities Distinguished Teacher Award (上海高校教學名師獎) in August 2006, and the Citigroup Financial Information Technology Education Fund Project Excellence Award (花旗集團金融信息科技教育基金項目優秀獎教金) from Citigroup Software and Technology Services (Shanghai) Limited (花旗軟件技術服務(上海)有限公司) in December 2005. Mr. Dai is currently an independent non-executive director of China Greenland Broad Greenstate Group Company Limited (stock code: 1253) and Bank of Guiyang Co., Ltd. (貴陽銀行股份有限公司) (stock code:601997).

Mr. Lam Yiu Kin (林耀堅)
Independent non-executive Director

Mr. Lam Yiu Kin (林耀堅), aged 63, is the independent non-executive Director of the Company, chairman of the audit committee and was appointed as a Director on October 18, 2017.

Mr. Lam is a fellow of the Association of Chartered Certified Accountants, a member of the Institute of Chartered Accountants in England & Wales, a member of the Chartered Accountants Australia and New Zealand, and Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). He graduated from Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) with a higher diploma in Accountancy in October 1975. He was conferred University Fellow of The Hong Kong Polytechnic University in November 2002. Mr. Lam was a partner of PricewaterhouseCoopers from 1993 to 2013. Mr. Lam was an independent non-executive director of Royal Century Resources Holdings Limited (formerly known as Kate China Holdings Limited) (stock code: 8125), a company listed on the Growth Enterprise Market of the Stock Exchange, from June 2014 to September 2015, and Mason Financial Holdings Limited (stock code: 0273), a company listed on the Main Board of the Stock Exchange, from August 2015 to May 2017. Mr. Lam is currently an independent non-executive director of each of Global Digital Creations Holdings Limited (stock code: 8271); Spring Real Estate Investment Trust (stock code: 1426); Vital Mobile Holdings Limited (stock code: 6133); Shanghai Fudan-Zhangjiang BioPharmaceutical Co., Ltd. (stock code: 1349); Shougang Concord Century Holdings Limited (stock code: 0103); COSCO Shipping Ports Limited (stock code: 1199); Nine Dragons Paper (Holdings) Limited (stock code: 2689); WWPKG Holdings Company Limited (stock code: 8069); and CITIC Telecom International Holdings Limited (stock code: 1883).

Mr. Yao Zhixian (姚志賢)
Independent non-executive Director

Mr. Yao Zhixian (姚志賢), aged 67, is the independent non-executive Director of the Company, chairman of the nomination committee and was appointed as a Director on October 18, 2017.

Mr. Yao studied in the Department of Union of China Union Academy (中國工運學院) (currently known as China Institute of Industrial Relations (中國勞動關係學院)) from September 1983 to December 1985, and studied at Correspondence College of the Central School of the Communist Party of China (中共中央黨校函授學院) from August 1995 to December 1997 with a bachelor degree majoring in Economics and Management. From July 2001 to February 2003, he studied and graduated from the postgraduate program of Laws at China University of Political Science and Law (中國政法大學).

Mr. Yao worked as a section chief and vice-chairman of Shanghai Light Industry Union (上海市輕工業工會) from December 1981 to March 1999. Mr. Yao was employed by Shanghai Forever Co., Ltd. (上海永久股份有限公司) (currently known as Zhonglu Co., Ltd. (中路股份有限公司)) as the party secretary (黨委書記) and chairman of the Board from April 1999 to April 2002. Mr. Yao was the vice chairman of both Shanghai Light Industry Union (上海市輕工業工會) and Shanghai Light Industry Federation of Trade Union (上海輕工業工會聯合會) from May 2002 to August 2015.

Mr. Yao has been the general secretary of Shanghai Light Industry Association (上海市輕工業協會), since September 2015, and the vice president of Shanghai Federation of Industrial Economics (上海市工業經濟聯合會) and Shanghai Federation of Economic Organizations (上海市經濟團體聯合會), and a member of Shanghai Consumer Council (上海市消費者權益保護委員會) since December 2015. Mr. Yao was awarded National Outstanding Labor Union Worker in the Light Industry (全國輕工行業系統優秀工會工作者) in October 1994 by China National Committee of Light Industry Trade Unions (中國輕工業工會全國委員會), National Outstanding Worker of the Labor Union (全國優秀工會工作者) in April 2008 by All-China Federation of Trade Unions (中華全國總工會) and National Outstanding Worker of the Labor Union in the Light Textile Trading Industry (全國財貿輕紡煙草行業優秀工會工作者) in November 2011 by National Committee of the Trade Union of Financial and Commercial Workers, Light Industry and Textile Workers, Tobacco Industry Workers (中國財貿輕紡煙草工會全國委員會), respectively.

SENIOR MANAGEMENT

Patrizio Fumagalli
Chief strategic officer of the Group

Mr. Patrizio Fumagalli, aged 44, is the chief strategic officer of the Group. Mr. Fumagalli is based in Phoenix, United States. Mr. Fumagalli is responsible for strategic management of global market development, product portfolio management, supervision of research and development, design and operations, and implementation of overall marketing strategy. Mr. Fumagalli joined the Group in 1998 and has 19 years of experience in management with the Group. Prior to the current position, Mr. Fumagalli had been the general manager of Bestway USA from 2013 to 2017 and of Bestway Europe from 1998 to 2012, respectively, responsible for general management, setup and continuous improvement of sales network, marketing for the North American market and the European market, product development and management of the product design team.

Huang Shuiyong (黃水勇)
Vice president of research and development and manufacturing department of the Group

Mr. Huang Shuiyong (黃水勇), aged 46, is the vice president of research and development and manufacturing department (研發與製造副總裁) of the Group. Mr. Huang is responsible for technology management, production management, product quality management, factory technology improvement and procurement supervision. Mr. Huang joined the Group in December 2003 and has 14 years of experience with the Group. Prior to the current position, Mr. Huang was the manager of research and development department and the general manager of the tertiary processing department of the Group. Prior to joining the Group, Mr. Huang was a technician at Xiamen Tongan Silver City United Brewery (廈門同安銀城聯合啤酒廠) from October 1992 to December 1993. Mr. Huang received secondary education majoring in Light Industrial Machinery at Shanghai Light Industry School (上海市輕工業學校) and graduated in July 1992.

Simone Zesi
General manager of Bestway Europe

Mr. Simone Zesi, aged 36, is the general manager of Bestway Europe. Mr. Zesi is based in Milan, Italy. Mr. Zesi is responsible for marketing management, sales channels, customer service and finance, product compliance and testing, e-commerce operations in Europe, and supervising the Group's branch offices in Italy, France and Germany. Mr. Zesi joined the Group in 2004 and has 13 years of experience with the Group. Prior to the current position, he worked for Bestway Europe, responsible for ecommerce, after-sales service and business development with various international retail chain stores including OBI GmbH & Co., Lidl Stiftung & Co. KG, ALDI Einkauf GmbH & Co and METRO AG. Mr. Zesi graduated with honors from Universita Cattolica Del Sacro Cuore with a doctor's degree, a major in Foreign Languages and Literatures and a minor in Computer Science and Technology, in July 2004. Mr. Zesi also graduated from the University of Bologna Alma Graduate School with a master's degree in General Management in February 2014.

Yan Yu (閆宇)
General manager of global sales division of the Group

Mr. Yan Yu (閆宇), aged 42, is the general manager of global sales division (全球銷售中心總經理) of the Group. Mr. Yan is responsible for the overall management of the global sales division of our Group. Mr. Yan joined the Group in 2000 and has 17 years of experience with the Group. Prior to the current position, Mr. Yan was the sales manager, regional sales vice president and senior sales director of the Group. Mr. Yan graduated from Shanghai University of International Business and Economics (上海對外貿易學院) with a bachelor's degree in Economics majoring in International Trade in July 2000.

Huang Yaoguang (黃耀光)

General manager of technology centre of the Group

Mr. Huang Yaoguang (黃耀光), aged 35, is the general manager of technology centre (技術中心總經理) of the Group. Mr. Huang is responsible for new product development, research and development project management, product safety certification, intellectual property rights, quality assurance, and global after-sales service management of the Group. Mr. Huang joined the Group in 2010 and has 7 years of experience with the Group. Prior to the current position, Mr. Huang was the sales manager and regional sales vice president of the Group. Prior to joining the Group, Mr. Huang worked at Home Retail Group Procurement Consultancy (Shanghai) Limited (家悦採購諮詢(上海)有限公司) from January 2007 to February 2009 and was responsible for product procurement, and was the purchasing engineer at Shanghai Sportin Trading Co., Ltd. (上海斯博汀貿易有限公司) from February 2009 to February 2010 and was responsible for product development and supplier management. Mr. Huang graduated from Shanghai Tongji University (上海同濟大學) with a bachelor's degree in International Economics and Trade in July 2004.

Scott Schellhase

General manager of Bestway USA

Mr. Scott Schellhase, aged 49, is the general manager of Bestway USA. Mr. Schellhase is based in Phoenix, United States. Mr. Schellhase is responsible for marketing and sales channel management and general management of Bestway USA. Mr. Schellhase joined the Group in 2007 and has 10 years of experience with the Group. Prior to the current position, Mr. Schellhase worked in the Group's sales department. Prior to joining the Company, Mr. Schellhase had worked at Funrise Toy Corporation from 1996 to 2007 and served as the executive vice president at the time of his departure. Mr. Schellhase graduated from North Tama High School in May 1986.

Zhang Yong (張勇)

Deputy general manager of finished goods production of the Group

Mr. Zhang Yong (張勇), aged 43, is the deputy general manager of finished goods production department (三次加工事業部常務副總經理) of the Group. Mr. Zhang is responsible for manufacturing and technology management, factory production management, quality management in the finished goods production department of the Group. Mr. Zhang joined the Group in 1999 and has 18 years of experience with the Group. Prior to the current position, Mr. Zhang was the workshop manager, the assistant to the head of factory and the head of factory of the subsidiaries of the Group. Mr. Zhang received tertiary education majoring in Silkworms Studies at Anhui Agricultural University (安徽農業大學) and graduated in July 1996.

Cristobal Achurra Staplefield

General manager of Bestway Central & South America

Mr. Cristobal Achurra Staplefield, aged 41, is the general manager of Bestway Central & South America. Mr. Achurra is based in Santiago, Chile. Mr. Achurra is responsible for promotion and sales channel management and general management of sales and after-sales services in Latin America. Mr. Achurra joined the Group in 2002 and has 15 years of experience with the Group. Prior to the current position, Mr. Achurra was a sales manager and a commercial manager of Bestway Central & South America Ltd from 2002 to 2014. Mr. Achurra graduated from Escuela de Administración Agricola de Paine, with a bachelor's degree of Superior Level of Techics of Agricultural Administration in November 2000.

Wang Hui (王輝)
Head of capital market of the Group

Mr. Wang Hui, aged 36, joined the Group as head of Capital Market in December 2017. Mr. Wang is responsible for the capital operation, corporate finance and investor relations of the Group. Mr. Wang works in the Group's Hong Kong office and reports to the Chief Executive Officer of the Group. Prior to joining the Group, Mr. Wang was an executive director and chief financial officer of Longitech Smart Energy Holding Limited (stock code: 01281) from September 2015 to August 2017. Prior to that, Mr. Wang has over 12 years of experience in capital market, corporate finance and bank financing in Hong Kong and Mainland China. He served in various financial institutions including Standard Chartered Bank, UBS, Credit Suisse and China International Capital Corporation where he executed transactions on initial public offering, merger and acquisition, overseas bond offering and overseas bank financing. Mr. Wang holds a bachelor's degree in Economics from Fudan University.

JOINT COMPANY SECRETARY

Zhao Wei (趙煒)

Mr. Zhao Wei (趙煒) was appointed as a joint company secretary of the Company on May 15, 2017.

Mr. Zhao, aged 48, is the general manager of Bestway Hong Kong. Mr. Zhao is responsible for overall operational management, financial management and sales support of Bestway Hong Kong. Mr. Zhao joined the Company in 1999 and has 18 years of experience with the Group. Prior to joining the Company, Mr. Zhao was the export manager at Hong Kong Unisia Products Company Ltd. from December 1996 to October 1999 and was responsible for sales. Mr. Zhao graduated from East China Normal University (華東師範大學) with a bachelor's degree in International Finance in July 1991.

Choy Yee Man (蔡綺文)

Ms. Choy Yee Man (蔡綺文) was appointed as a joint company secretary of the Company on May 15, 2017. She has been a director of corporate services division of Tricor Services Limited since January 1, 2013, where she leads a team of professional staff to provide a full range of company secretary services. She has over 20 years of experience in the corporate services industry. Ms. Choy is currently the assistant company secretary/joint company secretary of two listed companies on the Stock Exchange, namely, KAZ Minerals PLC (stock code: 847) and Fast Retailing Co., Ltd. (stock code: 6288). Ms. Choy received a bachelor of arts degree in accountancy from City Polytechnic of Hong Kong (now known as City University of Hong Kong) in November 1992. Ms. Choy has been a fellow member of the Hong Kong Institute of Chartered Secretaries since October 2012 and the Institute of Chartered Secretaries and Administrators in the United Kingdom since October 2012.

羅兵咸永道

To the Shareholders of Bestway Global Holding Inc.
(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Bestway Global Holding Inc. (the "Company") and its subsidiaries (the "Group") set out on pages 78 to 154, which comprise:

- the consolidated statement of financial position as at December 31, 2017;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue Recognition: Sales of goods
- Allowance for impairment of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue Recognition: Sales of goods *Refer to note 6 to the consolidated financial statements* During the year ended December 31, 2017 the Group has recognised revenue from sales of goods amounted to US$722.5 million. Revenue is recognised when the amount and the related costs are reliably measured, and the risks and rewards of the underlying products have been transferred to the customers. We focused on this area due to the huge volume of revenue transactions generated from sales of numerous kinds of products in many different locations. There is potential misstatement on occurrence and cut-off of the revenue transactions.	We understood, evaluated and validated management's controls in respect of the Group's process to recognise revenue from sales of goods, from customer order's approval, bills of lading, sales recording, reconciliation of cash receipts and customer's records through to subsequent settlement of trade receivables. In addition, we tested the general control environment of the Group's information technology systems and the automatic controls that were related to revenue recording. We conducted testing of revenue recorded covering different locations and customers, using sampling techniques, by examining the relevant supporting documents including customer orders, invoice, bills of lading and cash receipts. In addition, we sent confirmations regarding the customers' balances as at year end and sales transactions during the year on a sample basis. Furthermore, we tested sales transactions that took place shortly before and after the balance sheet date, by reconciling recognised revenue with the bills of lading, to assess whether revenue was recognised in the correct reporting periods. Based on the work performed, we found the Group's revenue from sales of goods being tested were recognised in a manner consistent with the Group's revenue recognition accounting policy.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Allowance for impairment of trade receivables *Refer to note 22 to the consolidated financial statements* As at December 31, 2017, the Group's trade receivables is US$139.6 million, and the allowance for impairment of trade receivables of the Group is US$1.5 million. Management exercised judgement on the recoverability of trade receivables and made estimates of the impairment allowance based on the aging pattern, credit and settlement history of the relevant customers. We focused on this area due to the significance of the balances of trade receivables from different locations and the related allowance for impairment, and the involvement of management's significant judgement and estimates of the allowance for impairment.	We understood, evaluated and tested management's controls in respect of assessing impairment of trade receivables. We obtained the detailed listings of trade receivables together with the aging analysis and agreed the balances to the general ledgers for those operating entities which have been identified as significant components to the Group. We tested the aging analysis on sample basis by checking to relevant supporting documents, including sales invoices, sales contracts, and bills of lading. We inquired with management and assessed the reasonableness of their judgements on the recoverability of trade receivables and the adequacy of the impairment allowance, with a focus on those past due long ageing receivable balance, primarily based on the information and evidence collected by management for the purpose of their assessment. We performed subsequent settlement tests to agree the relevant trade receivable balances to post year end cash receipts. Based upon the above, we considered that management had made reasonable judgements and estimates that were supported by the available evidence for their assessment of the allowance for impairment.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the chairman's statement, management discussion and analysis (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the corporate profile, financial highlights, global presence, products overview, environmental, social and governance report, corporate governance report and report of the directors which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

OTHER INFORMATION *(Continued)*

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the corporate profile, financial highlights, global presence, products overview, environmental, social and governance report, corporate governance report and report of the directors, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is CHAN Chiu Kong, Edmond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 19, 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2017

	Note	2017 US$	2016 US$
Revenue	6	722,546,180	584,529,415
Cost of sales	6, 9	(539,770,782)	(419,992,751)
Gross profit		182,775,398	164,536,664
Selling and distribution expenses	9	(68,863,132)	(60,703,611)
Administrative expenses	9	(60,565,996)	(48,625,082)
Other income	7	16,846,940	2,101,390
Other (losses)/gains — net	8	(6,234,696)	4,667,495
Operating profit		63,958,514	61,976,856
Finance income	11	218,153	491,698
Finance expenses	11	(3,883,374)	(5,426,968)
Finance expenses — net		(3,665,221)	(4,935,270)
Profit before income tax		60,293,293	57,041,586
Income tax expense	12	(12,724,885)	(14,021,928)
Profit for the year		47,568,408	43,019,658
Profit attributable to:			
Owner of the Company		47,462,397	43,339,569
Non-controlling interests		106,011	(319,911)
		47,568,408	43,019,658
Earnings per share for profit attributable to owner of the Company for the year			
— Basic earnings per share	13	0.0574	0.0546
— Diluted earnings per share	13	0.0574	0.0546

The notes on pages 85 to 154 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2017

	Note	2017 US$	2016 US$
Profit for the year		**47,568,408**	43,019,658
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		**18,394,433**	(15,402,105)
Other comprehensive income for the year, net of tax		**18,394,433**	(15,402,105)
Total comprehensive income for the year		**65,962,841**	27,617,553
Attributable to:			
— Owner of the Company		**65,842,885**	27,891,111
— Non-controlling interests		**119,956**	(273,558)
Total comprehensive income for the year		**65,962,841**	27,617,553

The notes on pages 85 to 154 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended December 31, 2017

	Note	2017 US$	2016 US$
Assets			
Non-current assets			
Land use rights	*16*	**25,273,107**	15,695,242
Property, plant and equipment	*17*	**223,818,719**	139,402,105
Intangible assets	*18*	**567,649**	420,112
Deferred tax assets	*34*	**4,635,071**	3,867,306
Available-for-sale financial assets	*20*	**457,636**	457,636
Prepayments and other receivables	*23*	**13,517,493**	1,020,230
		268,269,675	160,862,631
Current assets			
Inventories	*21*	**250,962,383**	162,364,536
Trade receivables	*22*	**139,607,653**	94,586,512
Prepayments and other receivables	*23*	**35,281,221**	14,151,374
Financial assets at fair value through profit or loss	*24*	**1,149,620**	3,415,050
Derivative financial instruments	*33*	**1,794,783**	1,482,284
Cash and cash equivalents	*25*	**110,737,589**	22,964,807
Restricted cash	*25*	**3,742,736**	3,153,921
		543,275,985	302,118,484
Total assets		**811,545,660**	462,981,115
Equity and liabilities			
Equity attributable to owner of the Company			
Share capital	*26*	**1,355,633**	1
Share premium	*26*	**140,636,893**	–
Other reserves	*27*	**258,753,820**	204,494,563
		400,746,346	204,494,564
Non-controlling interests		**(811,571)**	(586,515)
Total equity		**399,934,775**	203,908,049

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended December 31, 2017

	Note	2017 US$	2016 US$
Liabilities			
Non-current liabilities			
Bank borrowings	*29*	**–**	51,204
Deferred tax liabilities	*34*	**784,826**	1,825,273
Other payables and accruals	*32*	**5,441,434**	107,756
Retirement benefit obligations	*35*	**300,299**	155,932
Deferred income on government grants	*36*	**4,912,614**	–
		11,439,173	2,140,165
Current liabilities			
Trade payables	*31*	**154,661,624**	90,423,019
Other payables and accruals	*32*	**71,318,153**	52,436,489
Due to related parties		**2,423,574**	2,159,558
Current income tax liabilities		**10,435,467**	7,707,101
Bank borrowings	*29*	**157,830,554**	94,603,239
Derivative financial instruments	*33*	**3,502,340**	2,815,522
Loans from related parties	*30, 39*	**–**	6,787,973
		400,171,712	256,932,901
Total liabilities		**411,610,885**	259,073,066
Total equity and liabilities		**811,545,660**	462,981,115
Net current assets		**143,104,273**	45,185,583
Total assets less current liabilities		**411,373,948**	206,048,214

The notes on pages 85 to 154 are an integral part of these consolidated financial statements.

The consolidated financial statements on page 78 to page 154 were approved by the Board of Directors on March 19, 2018 and were signed on its behalf.

Zhu Qiang
Executive Director

Duan Kaifeng
Executive Director

CONSOLIDATED STATEMENT OF EQUITY MOVEMENT

For the year ended December 31, 2017

	Note	Share capital US$ (Note 26)	Other reserves US$ (Note 27)	Total US$	Non-controlling interests US$	Total equity US$
		Equity attributable to owner of the Company				
Balance at January 1, 2016		1	179,840,122	179,840,123	(323,083)	179,517,040
Comprehensive income						
Profit for the year		–	43,339,569	43,339,569	(319,911)	43,019,658
Other comprehensive income						
Currency translation difference		–	(15,448,458)	(15,448,458)	46,353	(15,402,105)
Total other comprehensive income, net of tax		–	(15,448,458)	(15,448,458)	46,353	(15,402,105)
Total comprehensive income		–	27,891,111	27,891,111	(273,558)	27,617,553
Transactions with owners						
Proceeds from shares issued		–	–	–	10,126	10,126
Dividends	*14*	–	(3,236,670)	(3,236,670)	–	(3,236,670)
Transactions with owners in total		–	(3,236,670)	(3,236,670)	10,126	(3,226,544)
Balance at December 31, 2016		1	204,494,563	204,494,564	(586,515)	203,908,049

CONSOLIDATED STATEMENT OF EQUITY MOVEMENT

For the year ended December 31, 2017

	Note	Equity attributable to owner of the Company				Non-controlling interests US$	Total equity US$
		Share capital US$ *(Note 26)*	Share premium US$	Other reserves US$ *(Note 27)*	Total US$		
Balance at January 1, 2017		1	–	204,494,563	204,494,564	(586,515)	203,908,049
Comprehensive income							
Profit for the year		–	–	47,462,397	47,462,397	106,011	47,568,408
Other comprehensive income							
Currency translation difference		–	–	18,380,488	18,380,488	13,945	18,394,433
Total other comprehensive income, net of tax		–	–	18,380,488	18,380,488	13,945	18,394,433
Total comprehensive income		–	–	65,842,885	65,842,885	119,956	65,962,841
Transactions with owners							
Capitalization of share premium	26	1,016,723	(1,016,723)	–	–	–	–
Issue of ordinary shares upon initial public offering ("IPO")	26	338,909	141,653,616	–	141,992,525	–	141,992,525
Employee share option schemes — value of employee services	28	–	–	18,372	18,372	–	18,372
Proceeds from shares issued		–	–	–	–	275	275
Dividends	14	–	–	(11,602,000)	(11,602,000)	(345,287)	(11,947,287)
Transactions with owners in total		1,355,632	140,636,893	(11,583,628)	130,408,897	(345,012)	130,063,885
Balance at December 31, 2017		1,355,633	140,636,893	258,753,820	400,746,346	(811,571)	399,934,775

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended December 31, 2017

	Note	2017 US$	2016 US$
Cash flows from operating activities			
Cash generated from operations	*37(a)*	**30,503,514**	79,639,670
Interest paid		**(6,487,932)**	(4,740,038)
Income tax paid		**(11,742,109)**	(9,533,303)
Net cash (used in)/generated from operating activities		**12,273,473**	65,366,329
Cash flows from investing activities			
Purchases of property, plant and equipment		**(81,867,125)**	(34,347,827)
Proceeds from disposal of property, plant and equipment	*37(b)*	**105,782**	108,260
Purchases of land use rights		**(8,840,640)**	(2,193,597)
Purchase of intangible assets		**(191,352)**	(331,962)
Payments of deposits for land use rights		**(13,517,493)**	–
Proceeds from/(payments of) derivative financial instruments		**2,273,114**	(4,784,728)
Loans granted to a related party	*39(a)*	**–**	(150,000)
Repayment of loans by related parties		**150,000**	–
Purchase of financial assets at fair value through profit or loss		**(1,145,211)**	(3,414,315)
Proceeds from financial assets at fair value through profit or loss		**3,415,050**	8,203,569
Interest received		**218,153**	491,698
Net cash used in investing activities		**(99,399,722)**	(36,418,902)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**141,992,525**	–
Proceeds from borrowings	*37(c)*	**237,724,718**	103,587,758
Repayments of borrowings	*37(c)*	**(185,621,783)**	(133,531,203)
Loans from related parties	*37(c)*	**(6,787,973)**	2,820,000
Dividends paid to owner of the Company		**(11,602,000)**	(3,236,670)
Dividends paid to non-controlling interests		**(345,287)**	–
Net cash generated from/(used in) financing activities		**175,360,200**	(30,360,115)
Net increase/(decrease) in cash and cash equivalents		**88,233,951**	(1,412,688)
Cash and cash equivalents at the beginning of year	25	**22,964,807**	23,455,236
Exchange (loss)/gain on cash and cash equivalent		**(461,169)**	922,259
Cash and cash equivalents at the end of year	25	**110,737,589**	22,964,807

The notes on pages 85 to 154 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Bestway Global Holding Inc. (the "Company") was incorporated on June 25, 2012 in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company, an investment holding company, and its subsidiaries (together "the Group") are principally engaged in the manufacturing and sales of outdoor leisure products in global market.

The immediate holding company of the Group is Great Success Enterprises Holdings Limited ("Great Success") which is owned by Great Access Industry Inc. ("Great Access"), Outland Enterprise Company Limited ("Outland Enterprise"), Mr. Bogdan Nowak and Mr. Patrizio Fumagalli. The Group is ultimately controlled by Mr. Zhu Qiang together with his immediate family members through Great Access and Great Success.

The Company completed its global initial public offering ("Global Offering") and its shares were listed on the main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on November 16, 2017 (the "Listing"). (Note 26).

These consolidated financial statements are presented in United States dollars (US$), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on March 19, 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirement of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for the available-for-sale financial assets, financial assets and liabilities (including derivative instruments).

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(a) New and amended standards adopted by the Group

The following new and amended standards are mandatory for the first time for the financial year beginning January 1, 2017.

HKAS 7 (Amendments) "Statement of cash flows" is effective for annual periods beginning on or after January 1, 2017. The amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments and interpretations as mentioned above are not expected to have a material effect on the Group's operating results, financial position or comprehensive income.

(b) Standards, amendments and interpretations to existing standards effective in 2017 but not relevant to the Group.

		Effective for accounting year beginning on or after
HKAS 12 (Amendments)	Income taxes	January 1, 2017
HKFRS 12 (Amendment)	Disclosure of interest in other entities	January 1, 2017

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on January 1, 2017 and have not been early adopted:

		Effective for accounting year beginning on or after	Note
HKFRS 1 (Amendment)	First time adoption of HKFRS	January 1, 2018	*i*
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	January 1, 2018	*ii*
HKFRS 4 (Amendments)	Insurance Contracts	January 1, 2018	*iii*
HKFRS 9	Financial Instruments	January 1, 2018	*iv*
HKFRS 15	Revenue from Contracts with Customers	January 1, 2018	*v*
HKFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018	*vi*
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures	January 1, 2018	*vii*
HKFRS 16	Leases	January 1, 2019	*viii*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(c) *(Continued)*

		Effective for accounting year beginning on or after	Note
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined	*ix*
Amendments to HKAS 40	Transfers of Investment Property	January 1, 2018	*x*
HKFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2018	*xi*

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations. According to the preliminary assessment, other than the assessment results of HKFRS 9, 15 and 16 stated above, none of these is expected to have a significant effect on the consolidated financial statements of the Group.

Note i:

Amendment to HKFRS 1, "First time adoption of HKFRS", is part of the annual improvements to HKFRSs 2014–2016 cycle. This amendment deletes the short-term exemptions covering transition provisions of HKFRS 7, HKAS 19, and HKFRS 10. These transition provisions were available to entities for passed reporting periods and are therefore no longer applicable.

As it is not the first time for the Group to adopt HKFRS, the amendments will not have any impact on the financial position or performance of the Group.

Note ii:

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued amendments to HKFRS 2. "Classification and Measurement of Share-based Payment Transactions". These amendments clarify the measurement basis for cash-settled share-based payments and the accounting for modification from cash-settled awards to equity-settled awards. It also introduces an exception to the principles in HKFRS 2 that requires an award to be treated as if it is wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

The amendments do not have to be applied until reporting periods commencing on or after January 1, 2018. And the Group does not intend to adopt amendments before its mandatory date. The amendments to HKFRS 2 do not have retrospective impact and the Group does not plan to introduce any share-base payment plans in the foreseeable future. The amendments will not have any impact on the financial position or performance of the Group.

Note iii:

Amendments to HKFRS 4, "Insurance Contracts", provide two optional approaches to deal with the mismatched effective dates of HKFRS 9 and the new insurance contracts standard to replace HKFRS 4:

(a) The overlay approach: all companies that issue insurance contracts have the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when HKFRS 9 is applied before the new insurance contracts standard is issued; and

(b) The deferral approach: companies whose activities are predominantly connected with insurance have an optional temporary exemption from applying HKFRS 9 until 2021. Entities that defer the application of HKFRS 9 will continue to apply HKAS 39 "Financial Instruments: Recognition and Measurement".

As the Group is not engaged in insurance business, the amendments will not have any impact on the financial position or performance of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(c) *(Continued)*

Note iv:

Nature of change

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on January 1, 2018:

The majority of the financial assets held by the Group include investments currently measured at fair value through profit or loss (FVPL), which will continue to be measured on the same basis under HKFRS 9. Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets..

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group has confirmed that its current hedging instruments, ie. forward contracts will still not qualify as hedges upon the adoption of HKFRS 9.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change to the loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by Group

Must be applied for financial years commencing on or after January 1, 2018. The group will apply the new rules retrospectively from January 1, 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(c) *(Continued)*

Note v:

Nature of change

The HKICPA issued HKFRS 15 as a new standard for the recognition of revenue to replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

When applying HKFRS 15, revenue shall be recognized by applying following steps:

- identify the contract with customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contracts;
- recognize revenue when (or as) the entity satisfies a performance obligation.

The Group is engaged in providing outdoor leisure products business. The Group didn't introduce any customer loyalty programme which is likely to be affected by the new HKFRS 15.

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Rights of return — HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation. Due to the large size and low value of the Group's products, the historical goods return rate is very low. The financial impact of applying new HKFRS 15 is not material.
- Presentation of contract assets and contract liabilities in the balance sheet — HKFRS 15 requires separate presentation of contract assets and contract liabilities in the balance sheet. This will result in some reclassifications as of January 1, 2018 in relation to contract liabilities which are currently included in other balance sheet line items.

Date of adoption by Group

Mandatory for financial years commencing on or after January 1, 2018. The Group will adopt the new standard from January 1, 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of January 1, 2018 and that comparatives will not be restated. The Group will adopt two practical expedients under modified retrospective approach. One is completed contract which is a contract for which the entity has transferred all the goods or services identified in accordance with HKAS 11, HKAS 18 and related interpretations. Under modified retrospective method, the Group can elect to apply the HKFRS 15 only to contracts that are not completed as at January 1, 2018. Another is contract modification, for contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract for those contract modifications in accordance with IFRS 15. As the nature of the Group's business is to deliver consumer products, management estimates no material financial impact in applying new HKFRS 15.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(c) *(Continued)*

Note vi:

HKFRIC 22, "Foreign Currency Transactions and Advance Consideration", clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency.

As the Group has no advance consideration in a foreign currency, no significant impact on the financial performance and positions of the Group is expected when they become effective.

Note vii:

Amendment to HKAS 28, "Investments in Associates and Joint Ventures", is part of the annual improvements to HKFRSs 2014–2016 cycle. HKAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss (FVTPL). This election should be made separately for each associate or joint venture at initial recognition.

As the Group is not a venture capital organisation, or mutual fund, or unit trust, or other similar entity, no impact on the financial performance and positions of the Group is expected when they become effective.

Note viii:

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2017, the Group has non-cancellable operating lease commitments of US$1.6M. (Note 38)

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Date of adoption by Group

The standard is mandatory for first interim periods within annual reporting periods beginning on or after January 1, 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations. According to the preliminary assessment, other than the assessment results of HKFRS 9, 15 and 16 stated above, none of these is expected to have a significant effect on the consolidated financial statements of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(c) *(Continued)*

Note ix:

The amendments to HKFRS 10 and HKAS 28 address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

The Group has already commenced a preliminary assessment of the impact of these amendments. According to the preliminary assessment made by the Directors, as the Group has no associates or joint ventures, no significant impact on the financial performance and positions of the Group is expected when they become effective.

Note x:

The amendment to HKFRS 40 clarified that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. A change in intention, in isolation, is not enough to support a transfer.

As the Group has no investment properties, the amendments will not have any impact on the financial performance and positions of the Group.

Note xi:

HKFRIC 23 clarified how the recognition and measurement requirements of HKAS 12 Income taxes, are applied where there is uncertainty over income tax treatments.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that approach will be accepted by the tax authority. HKFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

Based on the preliminary assessment result, the Group does not expect a material impact on the adoption of HKFRIC 23.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation *(Continued)*

(i) Business combination (Continued)

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in US$, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss within 'finance expenses — net'. All other foreign exchange gains and losses are presented in statement of profit or loss within 'other (losses)/gains — net'.

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation *(Continued)*

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting currency translation differences are recognised in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their estimated residual values of 10% over their estimated useful lives, as follows:

—	Buildings	20 years
—	Machinery and factory equipment	10 years
—	Vehicles	4 years
—	Other equipment and fixtures	3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other (losses)/gains' in the statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Land use rights

All land in the PRC is state-owned or collectively-owned and no individual land ownership right exists. The Group's interests in land use rights represent prepaid operating lease payments, which are amortised over the useful terms of 44–50 years using the straight-line method.

2.7 Intangible assets

(a) Licences

Separately acquired licences are shown at historical cost. Licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives of 10 years.

(b) Computer software

Acquired computer software is capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of 3–10 years.

2.8 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets *(Continued)*

2.9.1 Classification *(Continued)*

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the balance sheet (Notes 2.14 and 2.15).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets includes investment in equity instruments that does not have a quoted market price in an active market and whose fair value cannot be reliably measured and must be settled by delivery of such unquoted equity instruments. These investments are measured at cost.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the statement of profit or loss within "Other (losses)/gains — net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of profit or loss as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets *(Continued)*

2.9.2 Recognition and measurement *(Continued)*

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of profit or loss as "Other (losses)/gains — net".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of profit or loss as part of other income when the Group's right to receive payments is established.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Impairment of financial assets *(Continued)*

(a) Assets carried at amortised cost *(Continued)*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is reclassified from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss.

2.12 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value into "other (losses)/gains — net". The trading derivatives are classified as a current asset or liability.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.11 for a description of the Group's impairment policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Current and deferred income tax *(Continued)*

(b) Deferred income tax *(Continued)*

Outside basis differences

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Employee benefits

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

(b) Other employee benefits

In addition to pension obligation, all PRC employees of the Group participate in various employee social security plans, including medical, housing and other welfare benefits, organised and administered by the governmental authorities. According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Group are calculated based on percentages of the total salary of employees (or on other basis), subject to a certain ceiling, and are paid to the labour and social welfare authorities.

The Group has no further payment obligations once the contributions have been paid. The Group's contributions to these plans are charged to the consolidated statements of profit or loss as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Employee benefits *(Continued)*

(c) Other post-employment obligations

Some group companies provide post-retirement benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age, the employee's job title and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment based on the present value of the post-retirement benefits, which is determined by discounting the estimated future cash outflows using interest rates of the government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

The current service cost of the post-retirement benefits recognised in the statement of profit or loss in employee benefit expense, reflects the increase in the post-retirement benefits results from employee service in the current year, benefit changes, curtailments and settlements.

2.22 Share-based Payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. Information relating to the scheme is set out in Note 28.

Employee options

The fair value of options granted under the share option scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

— including any market performance conditions (e.g. the entity's share price),

— excluding the impact of any service and non-market performance vesting conditions (eg profitability, sales growth targets and remaining an employee of the entity over a specified time period), and

— including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

For equity-settled share-based payment transactions, the Group measures the assets or services received, and the corresponding increase in equity, directly, at the fair value of the assets or services received, unless that fair value cannot be estimated reliably. If the Group cannot estimate reliably the fair value of the assets or services received, the Group will measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised as other income in the consolidated statements of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets are included in non-current liabilities as deferred income and are credited to the consolidated statements of profit or loss on a straight-line basis over the expected useful lives of the related asset.

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes ("VAT"). The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for the Group's activity as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

Sales of products

Revenue from the sales and distribution of products is recognised when significant risks and rewards of ownership of the products are transferred to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assumed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.27 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

2.28 Research and development costs

Research costs are expensed as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique products are recognised as intangible assets when the following criteria are met:

— it is technically feasible to complete the product so that it will be available for use;

— management intends to complete the product and use or sell it;

— there is an ability to use or sell the product;

— it can be demonstrated how the product will generate probable future economic benefits;

— adequate technical, financial and other resources to complete the development of the product are available; and

— the expenditure attributable to the product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the product cost includes employee costs for new manufacture technology development and an appropriate portion of relevant overheads. Costs associated with maintaining new manufacture technology programmes are recognised as an expense as incurred.

Other development costs that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.29 Dividend distribution

Dividend distribution to the Company's shareholder is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US$ for certain PRC subsidiaries whose functional currency are Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts, transacted by group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

Exposure

The Group's major exposure to foreign currency risk at the end of the reporting period, against functional currencies adopted by subsidiaries within the Group, was as follows:

	At December 31, 2017		
	US$	HKD	RMB
In US$			
Cash	28,181,074	481,629	1,698,393
Bank borrowings	38,328,186	–	–
Trade payables	45,963,981	–	–
Derivatives financial instruments — assets	1,794,783	–	–
Derivatives financial instruments — liabilities	3,502,340	–	–

	At December 31, 2016		
	US$	HKD	RMB
In US$			
Cash	3,447,544	142,642	28,099
Bank borrowings	5,563,892	–	–
Trade payables	15,532,096	52,321	–
Derivatives financial instruments — assets	1,482,284	–	–
Derivatives financial instruments — liabilities	2,815,522	–	–

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign exchange risk (Continued)

Amounts recognised in profit or loss

During the year, the following foreign-exchange related amounts were recognised in profit or loss:

	2017 US$	2016 US$
Other (losses)/gains — net	(7,781,539)	4,990,126
Foreign exchange gains/(losses) on financing activities	1,313,585	(1,128,555)
	(6,467,954)	(3,861,571)

As at December 31, 2017 and 2016, if RMB had weakened/strengthened by 5% against US$, with all other variables held constant, post-tax profit for each year would have changed mainly as a result of foreign exchange gains/losses on translation of US$ denominated cash and cash equivalent, trade receivables, trade payables and bank borrowings in RMB functional currency subsidiaries. Details of the changes are as follows:

	2017 US$	2016 US$
Year ended:		
Post-tax profit increase/(decrease)		
— Weakened 5% against US$	1,339,326	3,578,257
— Strengthened 5% against US$	(1,339,326)	(3,578,257)

As at December 31, 2017 and 2016, if RMB had weakened/strengthened by 5% against US$, with all other variables held constant, other comprehensive income for each year would have changed mainly as a result of the translation of financial statements of RMB functional currency subsidiaries to US$. Details of the changes are as follows:

	2017 US$	2016 US$
Year ended:		
Other comprehensive income increase/(decrease)		
— Weakened 5% against US$	(18,982,380)	(7,517,468)
— Strengthened 5% against US$	18,982,380	7,517,468

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk, and if at fixed rates expose the Group to fair value interest-rate risk. The interest rates and terms of loans from related third parties and bank borrowings are disclosed in Note 29 and Note 30.

As at December 31, 2017, the Group has no long-term borrowings. As at December 31, 2016, if interest rates on long-term bank borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been approximately US$ 38 lower/higher, mainly as a result of higher/lower interest expenses on borrowings.

(b) Credit risk

Credit risk arises from pledged bank deposits, cash and cash equivalents and trade and other receivables. The carrying amounts or the undiscounted nominal amounts, where applicable, of each class of these financial assets represent the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage the risk with respect to cash and cash equivalents, bank deposits are placed with highly reputable financial institutions. See Note 19b for further disclosure on credit risk.

The Group's trade receivables were mainly due from retailers, importers and e- commerce consumers. For trade receivables, the Group performs ongoing credit evaluations of its debtors' financial condition and does not require collateral from the debtors on the outstanding balances. Based on the expected recoverability and timing for collection of the outstanding balances, the Group maintains a provision for doubtful accounts and actual losses incurred have been within management's expectations.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivable.

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by the Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements — for example, currency restrictions.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year US$	Between 1 and 2 years US$	Between 2 and 5 years US$	Total US$
At December 31, 2017				
Bank borrowings	157,830,554	–	–	157,830,554
Interest payables for bank borrowings	2,309,095	–	–	2,309,095
Trade payables	154,661,624	–	–	154,661,624
Other payables	20,034,796	5,199,569	–	25,234,365
Due to related parties	2,423,574	–	–	2,423,574
	337,259,643	5,199,569	–	342,459,212
At December 31, 2016				
Borrowings	94,603,239	51,204	–	94,654,443
Loans from related parties	6,787,973	–	–	6,787,973
Interest payables for bank borrowings and loans from related parties	1,614,554	1,280	–	1,615,834
Trade payables	90,423,019	–	–	90,423,019
Other payables	11,996,417	–	–	11,996,417
Due to related parties	2,159,558	–	–	2,159,558
	207,584,760	52,484	–	207,637,244

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total equity. Total debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheets) plus loan from related parties, and less cash and cash equivalents and restricted cash. Total equity is 'equity' as shown in the consolidated balance sheets.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management *(Continued)*

The gearing ratios as at December 31, 2017 and 2016 were as follows:

	2017 US$	2016 US$
Bank borrowings *(Note 29)*	**157,830,554**	94,654,443
Loan from related parties *(Note 30)*	**–**	6,787,973
Less: Cash and cash equivalents *(Note 25)*	**(110,737,589)**	(22,964,807)
Restricted cash *(Note 25)*	**(3,742,736)**	(3,153,921)
Total debt	**43,350,229**	75,323,688
Total equity	**399,934,775**	203,908,049
Gearing ratio	**11%**	37%

3.3 Fair value estimation

The Group adopts the amendment to HKFRS 13 for financial instruments that are measured in the consolidated balance sheets at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

The following table presents the Group's assets and liabilities that are measured at fair value as at December 31, 2017 and 2016.

	2017 US$	2016 US$
Assets		
Financial assets at fair value through profit or loss *(Note 24)*		
— Financial products	**1,149,620**	3,415,050
Derivative financial instruments *(Note 33)*		
— Forward foreign exchange contracts	**1,794,783**	1,482,184
	2,944,403	4,897,234
Liabilities		
Derivative financial instruments *(Note 33)*		
— Forward foreign exchange contracts	**3,502,340**	2,815,522

The Group's assets and liabilities that are measured at fair value are level 2 financial instruments. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

During the year ended December 31, 2017 and 2016, there were no transfers among levels of the fair value hierarchy used in measuring the fair value of financial instruments, and also no changes in the classification of financial assets as a result of a change in the purpose or use of those assets.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(a) Useful lives of property, plant and equipments

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management reassesses the useful lives on a regular basis. Management will increase the depreciation charge where useful lives are shorter than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Income taxes and deferred tax assets/liabilities

The Group is subject to income taxes in several jurisdictions. Judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the periods in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

(c) Provision for impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Management reassesses the provision at each balance sheet date.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to industry cycles. Management reassesses the estimates at each balance sheet date.

5 SEGMENT INFORMATION

The executive directors are the Group's chief operating decision-maker. The executive directors review the Group's internal reporting in order to assess performance and allocate resources.

The production bases are all located in mainland China, while products are sold to many countries in the world. The raw materials used for all product lines are identical and their production process is similar. Executive directors review business and operating results taking all products and all territories as a whole, and analyse revenues by territory. The executive directors therefore have determined that no geographical or product group segment information for operating results is presented.

Revenue from external customers by country, based on the destination of the customers:

	2017 US$	2016 US$
Europe (i)	346,403,442	310,417,622
North America (ii)	205,353,431	161,238,104
Asia Pacific (iii)	64,593,847	45,649,055
Including: Mainland China	19,722,436	9,418,247
Rest of the world (iv)	106,195,460	67,224,634
Total	722,546,180	584,529,415

Note:

(i) Europe refers to countries in the European Economic Area, Russia, Georgia, Switzerland, Turkey, Kazakhstan, Kyrgyzstan, Albania, Andorra, Bosnia and Hercegovina, Macedonia, Moldavia, Serbia, Montenegro and Ukraine.

(ii) North America refers to the United States of America, Canada and Puerto Rico.

(iii) Asia Pacific refers to Asia (excluding Middle East) and Australia.

(iv) Rest of the world refers to Middle East, Africa and Latin America.

No individual customer's revenue exceeds 10% of the Group's total revenue for each of the years ended December 31, 2017 and 2016.

Non-current assets, other than financial instruments and deferred tax assets, by territory:

	2017 US$	2016 US$
Europe	706,559	325,881
North America	3,258,874	3,204,056
Asia Pacific	259,211,322	151,987,274
Including: Mainland China	259,111,635	151,871,288
Rest of the world	213	248
Total	263,176,968	155,517,459

6 REVENUE AND COST OF SALES

	2017		2016	
	Revenue	Cost of sales	Revenue	Cost of sales
	US$	US$	US$	US$
Above-ground pools and portable spas	**327,473,260**	**252,450,049**	274,341,404	205,436,140
Recreation products	**150,332,021**	**111,288,162**	125,656,192	86,842,147
Camping products	**148,394,591**	**110,435,026**	108,496,207	75,266,326
Sporting goods	**96,346,308**	**65,597,545**	76,035,612	52,448,138
	722,546,180	**539,770,782**	584,529,415	419,992,751

7 OTHER INCOME

	2017	2016
	US$	US$
Government grants	**16,011,321**	1,487,520
Sales of raw materials and scraps	**631,767**	613,870
Amortisation of deferred government grants *(Note 36)*	**29,720**	–
Others	**174,132**	–
	16,846,940	2,101,390

8 OTHER (LOSSES)/GAINS — NET

	2017	2016
	US$	US$
Financial assets at fair value through profit or loss		
— Fair value gains	**4,409**	735
Derivative financial instruments		
— Unrealised fair value changes on derivative financial instruments	**(1,707,557)**	(1,333,238)
— Realised gains on derivative financial instruments	**3,606,352**	1,737,995
Losses on disposal of property, plant and equipment	**(441,232)**	(735,096)
Net foreign exchange (losses)/gains	**(7,781,539)**	4,990,126
Others	**84,871**	6,973
	(6,234,696)	4,667,495

9 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses and administrative expenses are analysed as follows:

	2017 US$	2016 US$
Raw materials and consumables used	**393,476,803**	322,874,646
Wages and salaries, social welfare and benefits, including director's emoluments *(Note 10)*	**126,365,900**	86,106,314
Processing fee	**22,997,242**	12,999,958
Transportation expenses	**20,872,666**	17,000,599
Service fees and commissions	**16,525,378**	13,368,760
Utility fee	**15,204,254**	12,284,185
Depreciation and amortisation	**13,259,198**	11,260,516
Advertising and promotion expenses	**8,594,940**	7,794,275
Research and development expenses	**7,926,542**	7,333,226
Maintenance and repair	**7,150,079**	6,996,930
Royalty expenses	**5,855,503**	5,491,888
Listing expenses	**5,045,921**	673,706
After-sale services	**2,424,702**	2,463,826
Audit services	**425,051**	178,891
Provision for impairment of trade and other receivables	**322,552**	570,134
(Reversal of)/provision for write-down of inventories	**(314,761)**	1,386,578
Other expenses	**23,067,940**	20,537,012
	669,199,910	529,321,444

10 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTOR'S EMOLUMENTS

	2017 US$	2016 US$
Salaries, wages and bonuses	**106,079,433**	70,741,356
Pension, housing fund, medical insurance and other welfare benefits	**20,145,884**	15,296,532
Share options granted to employee *(Note 28)*	**18,372**	–
Post-retirement benefits *(Note 35)*	**122,211**	68,426
Total employee benefit expenses	**126,365,900**	86,106,314

(a) Pension costs — defined contribution plans

The employees of the Group's subsidiaries established in the PRC participate in defined contribution retirement benefit plans organised by the relevant provincial governments under which the Group is required to make monthly contributions to these plans at certain percentages of the employees' monthly salaries and wages, subject to certain ceilings. The non-PRC employees also participate in various defined contribution pension plans according to relevant local requirements.

10 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTOR'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five highest paid individuals of the Group during the years ended December 31, 2017 and 2016 include 1 and 1 director, respectively, details of whose emoluments are reflected in the analysis shown in Note 42. Details of the total emoluments paid to the remaining 4 highest paid employees were as follows:

	2017 US$	2016 US$
Salaries, wages and bonuses	1,340,274	1,711,386
Pension, housing fund, medical insurance and other welfare benefits	95,625	89,551
Total employee benefit expense	1,435,899	1,800,937

The number of highest paid non-director individuals, whose remuneration fell within the following bands:

	2017 US$	2016 US$
Emolument bands		
Within HKD 1,000,000	1	1
HKD 1,000,001 to HKD 1,500,000	1	1
Above HKD 2,000,000	2	2
Total	4	4

No emoluments have been paid to the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11 FINANCE EXPENSES — NET

	2017 US$	2016 US$
Finance expenses:		
Interest expenses on bank borrowings	**(5,927,908)**	(4,524,233)
Interest expenses on retirement benefit obligations	**(8,631)**	(4,415)
Foreign exchange gains/(losses) on financing activities	**1,313,585**	(1,128,555)
Less: amounts capitalised on qualifying assets	**739,580**	230,235
	(3,883,374)	(5,426,968)
Finance income:		
Interest income derived from bank deposits	**218,153**	491,698
Finance expenses — net	**(3,665,221)**	(4,935,270)

12 INCOME TAX EXPENSE

The amounts of tax expense charged to the consolidated statements of profit or loss represent:

	2017 US$	2016 US$
Current income tax	**14,493,829**	11,234,575
Deferred income tax *(Note 34)*	**(1,768,944)**	2,787,353
Income tax expenses	**12,724,885**	14,021,928

(i) Cayman Islands profit tax

The Company is not subject to any taxation in the Cayman Islands.

(ii) British Virgin Islands ("BVI") profits tax

Bestway Resources Group Company Limited, one of the Company's subsidiaries, which was incorporated in the BVI is exempted from BVI income tax, as it is incorporated under the International Business Companies Act of the BVI. The Company's another subsidiary incorporated in the BVI, Bestway Enterprise Company Limited, is subject to Hong Kong profits tax, as its main operations are in Hong Kong and is therefore a Hong Kong tax resident.

(iii) Hong Kong profits tax

The Company's subsidiaries Bestway Enterprise Company Limited and Bestway (Hong Kong) International Limited are subject to Hong Kong profits tax. The applicable Hong Kong profits tax rate is 16.5% during the year ended December 31, 2017 and 2016.

12 INCOME TAX EXPENSE *(Continued)*

(iv) PRC corporate income tax ("CIT")

CIT is provided on the assessable income of entities within the Group incorporated in the PRC. The applicable CIT tax rate is 25% except for a subsidiary which is qualified as High and New Technology Enterprises ("HNTE") and is entitled to enjoy a beneficial tax rate of 15% since 2016.

(v) Other overseas profits tax

Overseas profits tax has been provided at the rates of taxation prevailing in the countries in which the Group operates, with the range from 20% to 37%, during the year ended December 31, 2017 and 2016.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate to profits of the consolidated entities as follows:

	2017 US$	2016 US$
Profit before income tax	60,293,293	57,041,586
Tax calculated at applicable tax rates	11,874,255	14,089,272
Income not subject to profits tax	(4,691)	(9,369)
Expenses not deductible for tax purpose	1,483,317	634,073
Tax benefit from HNTE qualification	(583,706)	(1,728,115)
Additional deduction of research and development expenses	(384,285)	(422,664)
Unrecognised tax losses	289,263	–
Withholding income tax on dividends from subsidiaries	50,732	1,458,731
Tax charge	12,724,885	14,021,928

13 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the net profit attributable to the owner of the Company by the weighted average number of ordinary shares in issue for the year ended December 31, 2017 and 2016. In determining the weighted average number of ordinary shares in issue during the year ended December 31, 2017 and 2016, the capitalization of share premium for the issuance of 793,791,999 shares to the then shareholders on November 16, 2017 (Note 26(i)) have been accounted for as if it had been completed on January 1, 2016.

	2017 US$	2016 US$
Profit attributable to the owner of the Company	47,462,397	43,339,569
Weighted average number of ordinary shares in issue	827,139,597	793,793,000
Basic earnings per share	0.0574	0.0546

13 EARNINGS PER SHARE *(Continued)*

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's potentially dilutive ordinary shares comprised of share options.

	2017 US$	2016 US$
Profit attributable to the owner of the Company	47,462,397	43,339,569
Weighted average number of ordinary shares in issue	827,139,597	793,793,000
Adjustments for share options	24,098	–
	827,163,695	793,793,000
Diluted earnings per share	0.0574	0.0546

14 DIVIDENDS

	2017 US$	2016 US$
Proposed final dividend (i)	14,288,279	–
Dividends declared by the Group (ii)	11,602,000	3,236,670
	25,890,279	3,236,670

(i) The Board of Directors proposed a final dividend in respect of the year ended December 31, 2017 of US$14,288,279, representing US$0.0135 per ordinary share. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company. These financial statements do not reflect this dividend payable.

(ii) On May 9, 2017, the dividend of US$349.65 per share, amounting to a total dividend of US$350,000 was approved at the meeting of the Board of Directors of the Company and was fully paid.

On September 30, 2017, the dividend of US$4,615 per share, amounting to a total dividend of US$4,620,000 was approved at the meeting of the Board of Directors of the Company and was fully paid.

On October 04, 2017, the dividend of US$6,625 per share, amounting to a total dividend of US$6,632,000 was approved at the meeting of the Board of Directors of the Company and was fully paid.

The dividend of US$3,233.44 per share, amounting to a total dividend of US$3,236,670 was approved at the Company's shareholder's meeting on April 30, 2016. It has been reflected as an appropriation of retained earnings for the year ended December 31, 2016 and has been paid out in June 2016.

15 SUBSIDIARIES

The investment in subsidiaries are stated at cost. The following sets out the details of the principal subsidiaries of the Company as at December 31, 2017 and 2016:

Company name	Date of incorporation	Country/Place of incorporation and type of legal entity	Registered share capital	Paid share capital	Directly and indirectly held December 31, 2016	Directly and indirectly held December 31, 2017	Principal activities	Note
Bestway Resources Group Company Limited	June 26, 2012	British Virgin Islands, limited liability company	Hong Kong Dollar ("HKD") 1,284,894,418	HKD1,284,894,418	100%	100%	Investment holding company	(i)
Bestway Enterprise Company Limited	April 3, 2003	British Virgin Islands, limited liability company	US$140,550,000	US$140,550,000	100%	100%	Investment holding company and trading of inflatable products and related products	
Bestway (Hong Kong) International Limited	June 2, 2004	Hong Kong, limited liability company	HKD50,000	HKD50,000	100%	100%	Investment holding company and trading of inflatable products and related products	
Bestway (USA) Holdings,LLC	April 29, 2015	United States, limited liability company	US$3,284,058	US$3,284,058	99.5%	99.5%	Investment management	
Bestway (Nantong) Recreation Corp.	February 2, 2007	Jiangsu, China, wholly owned foreign enterprise	US$182,350,000	US$181,927,269	100%	100%	Manufacturing and trading of inflatable products and related products	
Bestway (Jiangsu) Recreation Corp.	April 5, 2004	Jiangsu, China, Chinese-foreign equity joint ventures	US$22,700,000	US$20,616,460	100%	100%	Manufacturing and trading of inflatable products and related products	
Bestway Inflatables & Material Corp.	June 25, 1999	Shanghai, China, Chinese-foreign equity joint ventures	US$16,526,700	US$16,526,700	100%	100%	Manufacturing and trading of inflatable products and related products	
Bestway (Shanghai) Investment Management Co., Ltd.	May 28, 2015	Shanghai, China, limited liability company	RMB5,000,000	RMB2,000,000	100%	100%	Investment management	
Bestway (Shanghai) Enterprise Corp.	May 18, 2009	Shanghai, China, limited liability company	RMB72,728,600	RMB72,728,600	100%	100%	Trading of inflatable products and related products	
Bestway (Dongtai) Recreation Co., Ltd.	June 16, 2011	Jiangsu, China, Chinese-foreign equity joint ventures	US$8,000,000	US$8,000,000	100%	-	Trading of inflatable products and related products	(ii)

15 SUBSIDIARIES *(Continued)*

Company name	Date of incorporation	Country/Place of incorporation and type of legal entity	Registered share capital	Paid share capital	Directly and indirectly held December 31, 2016	Directly and indirectly held December 31, 2017	Principal activities	Note
Bestway (HaiAn) Outdoor Leisure Products Limited	November 23, 2017	Jiangsu, China, wholly owned foreign enterprise	US$33,280,000	US$33,280,000	–	100%	Trading of inflatable products and related products	(iii)
Great Channel (Yancheng) Outdoor Leisure Products Limited	December 15, 2017	Jiangsu, China, wholly owned foreign enterprise	US$10,000,000	US$10,000,000	–	100%	Trading of inflatable products and related products	(iv)
Bestway (Europe) S.R.L.	January 10, 2001	Milan, Italy, limited liability company	Euro ("EUR") 10,200	EUR10,200	51%	51%	Trading of inflatable products and related products and after sales service	
Bestway (USA), Inc.	June 1, 2001	United States, limited liability company	US$200,000	US$200,000	51%	51%	Trading of inflatable products and related products and after sales service	
Bestway Central & South America Ltd	July 26, 2005	Santiago, Chile, limited liability company	Chilean Peso ("CLP") 1,393,420	CLP1,393,420	51%	51%	After sales service	
Bestway Deutschland GmbH	August 31, 2011	Neumünster, Germany, limited liability company	EUR25,000	EUR25,000	75%	70%	Trading of inflatable products and related products and after sales service	
Bestway France S.R.L.	August 4, 2011	Valbonne, France, limited liability company	EUR300,000	EUR300,000	75%	75%	Trading of inflatable products and related products and after sales service	
Bestway Italy S.R.L.	August 1, 2011	Milan, Italy, limited liability company	EUR100,000	EUR100,000	100%	100%	Trading of inflatable products and related products and after sales service	
Bestway Russia Ltd.	September 27, 2013	Saint-Petersburg, Russia, limited liability company	Russian Ruble ("SUR") 30,650	SUR30,650	51%	51%	Trading of inflatable products and related products and after sales service	
Bestway Australia Pty Limited	November 15, 2013	Silverwater, Australia, limited liability company	Australian DollaR ("AUD") 1,200	AUD1,200	51%	51%	Trading of inflatable products and related products and after sales service	

15 SUBSIDIARIES *(Continued)*

Company name	Date of incorporation	Country/Place of incorporation and type of legal entity	Registered share capital	Paid share capital	Directly and indirectly held December 31, 2016	Directly and indirectly held December 31, 2017	Principal activities	Note
Great Channel Investment Limited	October 10, 2013	British Virgin Islands, limited liability company	US$ 1	–	100%	**100%**	Investment holding company	
Bestway Enterprise Company Limited	May 4, 2017	Brazil, limited liability company	US$ 1	–	–	**100%**	Trading of inflatable and related products	

(i) Bestway Resources Group Company Limited is directly held by the Company. Other subsidiaries are indirectly held by the Company.

(ii) On October 10, 2016, the directors of the Company resolved to liquidate the subsidiary. The liquidation was completed on January 6, 2017.

(iii) Bestway (HaiAn) Outdoor Leisure Products Limited was incorporated on November 23, 2017. The registered capital of Bestway (HaiAn) Outdoor Leisure Products Limited is US$33,280,000. As at December 31, 2017, the paid in capital of Bestway (HaiAn) Outdoor Leisure Products Limited is US$33,280,000.

(iv) Great Channel (Yancheng) Outdoor Leisure Products Limited was incorporated on December 15, 2017. The registered capital of Great Channel (Yancheng) Outdoor Leisure Products Limited is US$10,000,000. As at December 31, 2017, the paid in capital of Great Channel (Yancheng) Outdoor Leisure Products Limited is US$10,000,000.

16 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2017 US$	2016 US$
Opening net book value	**15,695,242**	14,869,509
Additions	**8,840,640**	2,193,597
Amortisation	**(480,288)**	(356,792)
Currency translation differences	**1,217,513**	(1,011,072)
Closing net book value	**25,273,107**	15,695,242

As at December 31, 2017 and 2016, land use rights of the Group, all located in mainland China, with a total net book value of RMB165,139,533 (equivalent to US$25,273,107) and RMB14,508,149 (equivalent to US$2,091,416) respectively, were pledged to secure short-term borrowings (Note 29).

16 LAND USE RIGHTS *(Continued)*

As at December 31, 2017, the Group had a collectively-owned land use right with a net book value of RMB9,357,120 (equivalent to US$1,432,022).

The amounts of amortisation charges of land use rights charged to administrative expenses are as follows:

	2017 US$	2016 US$
Administrative expenses	480,288	356,792

17 PROPERTY, PLANT AND EQUIPMENT

	Buildings and freehold land US$	Machinery and factory equipment US$	Vehicles US$	Other equipment and fixtures US$	Construction in progress US$	Total US$
Year ended December 31, 2017						
Opening net book amount	88,342,388	29,635,321	1,586,742	6,307,269	13,530,385	139,402,105
Transferred from construction in progress	14,255,682	4,975,257	1,013,676	2,897,796	(23,142,411)	–
Other additions	3,950,931	5,464,255	672,592	1,969,515	74,967,678	87,024,971
Disposals	(368,598)	(165,081)	(2,936)	(10,399)	–	(547,014)
Depreciation charge	(5,653,039)	(4,291,093)	(706,693)	(2,048,489)	–	(12,699,314)
Currency translation differences	5,580,168	2,057,366	127,017	580,037	2,293,383	10,637,971
Closing net book amount	106,107,532	37,676,025	2,690,398	9,695,729	67,649,035	223,818,719
At December 31, 2017						
Cost	140,567,900	62,881,010	5,377,216	20,240,435	67,649,035	296,715,595
Accumulated depreciation	(34,460,368)	(25,204,985)	(2,686,818)	(10,544,706)	–	(72,896,876)
Net book amount	106,107,532	37,676,025	2,690,398	9,695,729	67,649,035	223,818,719

17 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings and freehold land US$	Machinery and factory equipment US$	Vehicles US$	Other equipment and fixtures US$	Construction in progress US$	Total US$
Year ended December 31, 2016						
Opening net book amount	76,362,307	31,488,496	1,357,834	5,041,652	12,430,907	126,681,196
Transferred from construction in progress	20,485,715	2,270,693	455,728	1,299,311	(24,511,447)	–
Other additions	2,441,578	1,470,725	392,444	1,974,808	26,470,151	32,749,706
Disposals	(706,436)	(90,465)	(27,361)	(19,094)	–	(843,356)
Depreciation charge	(4,934,410)	(3,811,950)	(494,338)	(1,621,445)	–	(10,862,143)
Currency translation differences	(5,306,366)	(1,692,178)	(97,565)	(367,963)	(859,226)	(8,323,298)
Closing net book amount	88,342,388	29,635,321	1,586,742	6,307,269	13,530,385	139,402,105
At December 31, 2016						
Cost	123,483,279	52,787,582	3,715,157	15,445,022	13,530,385	208,961,425
Accumulated depreciation	(35,140,891)	(23,152,261)	(2,128,415)	(9,137,753)	–	(69,559,320)
Net book amount	88,342,388	29,635,321	1,586,742	6,307,269	13,530,385	139,402,105

During the year ended December 31, 2017 and 2016, the Group has capitalised borrowing costs amounting to US$739,580 and US$230,235, respectively, on qualifying assets. Borrowing costs were capitalised at the weighted average rate of 4.03% and 4.26% per annum, respectively.

The amounts of depreciation expense charged to cost of sales, selling and distribution expenses and administrative expenses are as follows:

	2017 US$	2016 US$
Cost of sales	7,805,812	6,603,960
Selling and distribution expenses	180,667	103,434
Administrative expenses	4,712,835	4,154,749
At end of year	12,699,314	10,862,143

As at December 31, 2017 and 2016, buildings of the Group with a total net book value of RMB321,356,844 (equivalent to US$49,180,748) and RMB96,909,423 (equivalent to US$13,969,933) respectively, were pledged to secure short-term bank borrowings (Note 29).

As at December 31, 2017 and 2016, machinery and factory equipment of the Group with a total net book value of RMB10,806,907 (equivalent to US$1,653,899) and RMB13,116,889 (equivalent to US$1,890,859) respectively, were pledged to secure short-term borrowings (Note 29).

18 INTANGIBLE ASSETS

	Licences US$	Computer software US$	Total US$
Year ended December 31, 2017			
Opening net book amount	26,787	393,325	420,112
Additions	6,400	184,952	191,352
Amortisation charge	(10,818)	(68,778)	(79,596)
Currency translation differences	385	35,396	35,781
Closing net book amount	22,754	544,895	567,649
At December 31, 2017			
Cost	120,271	700,475	820,746
Accumulated amortisation	(97,517)	(155,580)	(253,097)
Net book amount	22,754	544,895	567,649
Year ended December 31, 2016			
Opening net book amount	37,234	107,480	144,714
Additions	2,430	329,532	331,962
Amortisation charge	(12,703)	(28,878)	(41,581)
Currency translation differences	(174)	(14,809)	(14,983)
Closing net book amount	26,787	393,325	420,112
At December 31, 2016			
Cost	115,768	528,720	644,488
Accumulated amortisation	(88,981)	(135,395)	(224,376)
Net book amount	26,787	393,325	420,112

The amounts of amortisation charges of intangible assets charged to administrative expenses are as follows:

	2017 US$	2016 US$
Administrative expenses	79,596	41,581

19A FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables US$	Financial assets at fair value through profit or loss US$	Available-for-sale US$	Total US$
December 31, 2017				
Assets as per balance sheet				
Financial assets at fair value through profit or loss	–	1,149,620	–	1,149,620
Available-for-sale financial assets	–	–	457,636	457,636
Derivative financial instruments	–	1,794,783	–	1,794,783
Trade receivables	139,607,653	–	–	139,607,653
Other receivables excluding prepayments	857,253	–	–	857,253
Cash at bank including restricted cash	114,090,842	–	–	114,090,842
Total	254,555,748	2,944,403	457,636	257,957,787

	Liabilities at fair value through profit or loss US$	Other financial liabilities at amortised cost US$	Total US$
December 31, 2017			
Liabilities as per balance sheet			
Borrowings	–	157,830,554	157,830,554
Derivative financial instruments	3,502,340	–	3,502,340
Trade payables	–	154,661,624	154,661,624
Other payables	–	25,234,365	25,234,365
Due to related parties	–	2,423,574	2,423,574
Total	3,502,340	340,150,117	343,652,457

19A FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Loans and receivables US$	Financial assets at fair value through profit or loss US$	Available-for-sale US$	Total US$
December 31, 2016				
Assets as per balance sheet				
Financial assets at fair value through profit or loss	–	3,415,050	–	3,415,050
Available-for-sale financial assets	–	–	457,636	457,636
Derivative financial instruments	–	1,482,284	–	1,482,284
Trade receivables	94,586,512	–	–	94,586,512
Other receivables excluding prepayments	1,318,862	–	–	1,318,862
Cash at bank including restricted cash	26,046,186	–	–	26,046,186
Total	121,951,560	4,897,334	457,636	127,306,530

	Liabilities at fair value through profit or loss US$	Other financial liabilities at amortised cost US$	Total US$
December 31, 2016			
Liabilities as per balance sheet			
Borrowings	–	94,654,443	94,654,443
Derivative financial instruments	2,815,522	–	2,815,522
Trade payables	–	90,423,019	90,423,019
Other payables	–	11,996,417	11,996,417
Due to related parties	–	2,159,558	2,159,558
Loans from related parties	–	6,787,973	6,787,973
Total	2,815,522	206,021,410	208,836,932

19B CREDIT QUALITY OF FINANCIAL ASSETS

Trade receivables

The Group has policies in place to ensure credit sales are made to customers with an appropriate credit history. The credit quality of trade receivables that are neither past due nor further impaired being assessed by reference to the reputation, credit history and management judgement about counterparty.

Bank deposits

The management considers the credit risks in respect of bank deposits are relatively minimal as each counter party is either a state-controlled PRC bank or has a high credit rating commercial bank. The management believes the PRC government is able to support the state-controlled PRC banks in the event of a liquidity difficulty.

The Group categorises its bank balance and restricted bank deposits into the following:

Group 1: Including Citi Bank (China) Co., Ltd, Hongkong and Shanghai Banking (China) Corporation Limited, etc.

Group 2 — Top 4 banks in the PRC (China Construction Bank, Bank of China Limited, Agricultural Bank of China and Industrial and Commercial Bank of China)

Group 3 — Other commercial banks

	2017 US$	2016 US$
Group 1	**20,539,639**	12,984,061
Group 2	**68,401,456**	6,463,918
Group 3	**25,149,747**	6,598,207
Total	**114,090,842**	26,046,186

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 US$	2016 US$
Unlisted equity interests	**457,636**	457,636

The above available-for-sale financial assets were measured at cost, which refer to the 0.85% equity investments in Rural Cooperative Bank of Funing County, held by the Group.

21 INVENTORIES

	2017 US$	2016 US$
Raw materials	**57,138,713**	27,757,869
Work-in-progress	**77,889,519**	52,817,511
Finished goods	**115,934,151**	81,789,156
	250,962,383	162,364,536

The cost of inventories recognised as an expense and included in "Cost of sales" was US$412,092,050 (2016: US$340,632,752). Inventory write-down of US$1,349,148 was made as at December 31, 2017 (2016: US$2,292,049).

22 TRADE RECEIVABLES

	2017 US$	2016 US$
Trade receivables	**141,137,998**	95,814,928
Less: allowance for impairment of trade receivables	**(1,530,345)**	(1,228,416)
Trade receivables — net	**139,607,653**	94,586,512

(i) As at December 31, 2017, the Group pledged trade receivables of EUR157,830 (equivalent to US$188,460) (2016: US$83,144,102 and EUR1,633,959 (equivalent to US$1,721,062)) as securities to the banking facility and borrowings, as disclosed in Note 29.

The carrying amounts of trade receivables approximated their fair values as at the respective balance sheet dates during the year ended December 31, 2017 and 2016.

As at December 31, 2017 and 2016, the aging analysis of the trade receivables based on invoice date is as follows:

	2017 US$	2016 US$
Up to 3 months	**124,163,349**	91,863,891
4 to 6 months	**7,769,424**	2,104,417
7 to 12 months	**9,205,225**	1,725,844
Over 1 year	**–**	120,776
	141,137,998	95,814,928

22 TRADE RECEIVABLES *(Continued)*

The credit terms granted to customers by the Group are usually 30 to 90 days.

As at December 31, 2017, trade receivables of US$ 16,685,938 was past due but not impaired (2016: US$3,761,193). These balances as at December 31, 2016 related to a number of independent customers for whom there was no recent history of default. The ageing analysis of these trade receivables based on invoice date is as follows:

	2017 US$	2016 US$
4 to 6 months	**7,637,279**	2,076,815
7 to 12 months	**9,048,659**	1,640,505
Over 1 year	**–**	43,873
	16,685,938	3,761,193

As at December 31, 2017, trade receivables of US$ 288,711 was past due and fully impaired (2016: US$189,844).

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2017 US$	2016 US$
US$	**133,844,576**	90,489,491
EUR	**3,388,870**	3,965,193
RMB	**3,045,576**	183,683
Other currencies	**858,976**	1,176,561
	141,137,998	95,814,928

Movements on the Group's allowance for impairment of trade receivables are as follows:

	2017 US$	2016 US$
At beginning of the year	**(1,228,416)**	(943,660)
Provision for impairment of trade receivables	**(301,808)**	(285,465)
Currency translation differences	**(121)**	709
At the end of the year	**(1,530,345)**	(1,228,416)

The creation and release of provision for impaired receivables have been included in 'administrative expenses' in the consolidated statements of profit or loss. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

23 PREPAYMENTS AND OTHER RECEIVABLES

	2017 US$	2016 US$
Prepayments and other receivables	**21,389,768**	4,709,289
Deductible input VAT and prepaid taxation	**27,317,347**	10,038,317
Due from related parties *(Note 39)*	**246,733**	168,035
Loans to third parties (i)	**–**	240,353
Loans to a related party *(Note 39)*	**–**	150,000
Less: allowance for impairment of other receivables	**(155,134)**	(134,390)
	48,798,714	15,171,604
Less: non-current portion:		
Loans to third parties (i)	**–**	(160,744)
Long-term receivables (ii)	**(13,517,493)**	(859,486)
	(13,517,493)	(1,020,230)
Current portion	**35,281,221**	14,151,374

All non-current receivables are due within five years from the end of the year.

The maximum exposure to credit risk at the reporting dates is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

(i) Long-term loans amounting to RMB1,637,320 (equivalent to US$240,353) was granted to two suppliers with maturity dates from 4 to 5 years and interest free. The loans were repaid by offsetting the purchase payments to these two third parties. As at December 31, 2016, balances amounting to RMB522,240 (equivalent to US$79,609) became due within next 12 months and were included in current portion of the balances. The loan was fully repaid as at August 19, 2017.

(ii) Long-term receivables represent the prepayment for land use rights.

The Group did not write off any other receivables from third parties or due from related parties (2016: US$253,987).

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 US$	2016 US$
Wealth management products	**1,149,620**	3,415,050

Financial assets at fair value through profit or loss are RMB and EUR denominated wealth management products with floating interests ranging from 0% to 10% per annum and with maturity dates between 5 days and 90 days. None of these assets are either past due or impaired.

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other (losses)/gains-net' in the consolidated statements of profit or loss (Note 8).

25 CASH AND CASH EQUIVALENTS

	2017 US$	2016 US$
Cash on hand	**389,483**	72,542
Cash at bank	**114,090,842**	26,046,186
	114,480,325	26,118,728
Less: Restricted cash *(note)*	**(3,742,736)**	(3,153,921)
	110,737,589	22,964,807

Cash at bank and on hand are denominated in the following currencies:

	2017 US$	2016 US$
RMB	**68,033,713**	10,049,589
US$	**40,509,948**	10,640,257
EUR	**5,127,856**	144,989
HKD	**558,162**	4,675,459
Other currencies	**250,646**	608,434
	114,480,325	26,118,728

Note:

Restricted bank deposits were mainly pledged as security for issuance of letter of credit, bank acceptance and custom deposits.

26 SHARE CAPITAL AND SHARE PREMIUM

	Number of issued shares	Ordinary shares US$	Share premium US$	Total US$
At January 1, and December 31, 2016	1,001	1	–	1
Capitalization of share premium (i)	793,791,999	1,016,723	(1,016,723)	–
Issue of ordinary shares upon initial public offering (ii)	264,598,000	338,909	148,103,084	148,441,993
Share issuance costs (ii)	–	–	(6,449,468)	(6,449,468)
At December 31, 2017	**1,058,391,000**	**1,355,633**	**140,636,893**	**141,992,526**

(i) On November 16,, 2017, the Company capitalized an amount of HKD7,937,919.99 (equivalent to US$1,016,723), standing to the credit of its share premium account of the Company by applying such sum to pay up in full at par a total of 793,791,999 shares for allotment and issue to their shareholders on a pro rata basis immediately after the completion of the Global Offering. The over-allotment option was not exercised during the stabilization period.

(ii) On 16 November 2017, the Company issued 264,598,000 new ordinary shares of HKD0.01 each at HKD4.38 per share in connection with Global Offering and commencement of the Listing on the same date. The gross proceeds raised from the global offering is HKD1,158,939,240 (equivalent to US$148,441,993). The relevant portion of the transaction costs amounting to HKD50,353,285 (equivalent to US$6,449,468) was credited to the share premium.

27 OTHER RESERVES

	Retained earnings (i) US$	Other Reserves US$	Total US$
Balance at January 1, 2016	172,094,082	7,746,040	179,840,122
Profit for the year	43,339,569	–	43,339,569
Dividends *(Note 14)*	(3,236,670)	–	(3,236,670)
Currency translation differences	–	(15,448,458)	(15,448,458)
Balance at December 31, 2016	212,196,981	(7,702,418)	204,494,563
Profit for the period	**47,462,397**	**–**	**47,462,397**
Dividends *(Note 14)*	**(11,602,000)**	**–**	**(11,602,000)**
Employees share option scheme:			
— Value of employee services	**–**	**18,372**	**18,372**
Currency translation differences	**–**	**18,380,488**	**18,380,488**
Balance at December 31, 2017	**248,057,378**	**10,696,442**	**258,753,820**

(i) In accordance with the PRC Company Law and the articles of association of the PRC subsidiaries of the Group (the "PRC subsidiaries"), the PRC subsidiaries are required to allocate 10% of their profits attributable to the respective owners of the PRC subsidiaries as set out in their statutory financial statements, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the respective PRC subsidiaries.

For the year ended December 31, 2017 and 2016, PRC subsidiaries set aside after-tax profit of US$2,105,052 and US$2,361,813, respectively, to their statutory reserve funds. As at December 31, 2017 and 2016, the accumulated amount of such statutory reserve funds was US$31,563,281 and US$29,458,229, respectively.

28 SHARE-BASED PAYMENTS

Employees share option scheme

As approved by the Board meeting on December 18, 2017, 10,000,000 share options were granted to certain employee at an exercise price of HKD3.028. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The employee accepted the share options.

The options are exercisable during the following periods, during which the employees should remain in the Group's employment.

(a) The first tranche of 2,500,000 options are exercisable during the period from December 18, 2018 to December 18, 2022.

(b) The second tranche of 2,500,000 options are exercisable during the period from December 18, 2019 to December 18, 2022.

28 SHARE-BASED PAYMENTS *(Continued)*

Employees share option scheme *(Continued)*

(c) The third tranche of 2,500,000 options are exercisable during the period from December 18, 2020 to December 18, 2022.

(d) The forth tranche of 2,500,000 options are exercisable during the period from December 18, 2021 to December 18, 2022.

Movements in the number of share options outstanding and their related weighted average exercise prices for the year ended December 31, 2017 were as follows:

	Weighted average exercise price in HKD	Number of options
At January1, 2017		
Granted	3.028	10,000,000
At December 31, 2017	3.028	10,000,000

Share options outstanding as at December 31, 2017 have the following expiry dates and exercise prices:

Expiry date	Exercise price HKD per share	Number of options
December 18, 2022	3.028	10,000,000

The total fair value, which was determined by using Binomial Option-Pricing Model, of the options granted under the share option scheme as at the grant date is approximately HKD7,758,643 (equivalent to US$993,149).

	Granted on December 18, 2017
Exercise price	HKD3.028
Expected volatility	37.63%
Expected dividend yield	3.17%
Risk free rate	1.56%

The expected volatility is determined by calculating the historical volatility of the price of listed companies with businesses similar to the Group. The expected dividend yield is determined by the directors based on the expected future performance and dividend policy of the Group.

The share option expense charged to the consolidated statement of comprehensive income during the year ended December 31, 2017 was approximately HKD143,528 (equivalent to US$18,372).

29 BANK BORROWINGS

	2017 US$	2016 US$
Non-current		
Bank borrowings		
— Secured	–	51,204
— Unsecured	–	–
Less: current portion of long-term bank borrowings	–	–
	–	51,204
Current		
Short-term bank borrowings		
— Secured	157,804,962	60,978,872
— Unsecured	25,592	33,624,367
Add: current portion of long-term bank borrowings	–	–
	157,830,554	94,603,239
Total borrowings	157,830,554	94,654,443

The carrying amounts of the Group's bank borrowings were denominated in the following currencies:

	2017 US$	2016 US$
RMB	119,326,008	80,565,078
US$	38,353,778	12,563,888
Other Currencies	150,768	1,525,477
	157,830,554	94,654,443

As at December 31, 2017, the secured bank borrowings were secured as follows:

1> the bank borrowing amounting to EUR126,264 (equivalent to US$150,768) was secured by trade receivables amounting to EUR157,830 (equivalent to US$188,460);

2> the bank borrowings amounting to RMB372,768,400 (equivalent to US$57,048,820), were secured by buildings, land use rights and machinery and factory equipment with net book value of RMB321,356,844 (equivalent to US$49,180,748), RMB165,139,533 (equivalent to US$25,273,107), RMB10,806,907 (equivalent to US$1,653,899), respectively.

3> the bank borrowings amounting to US$36,328,186 and RMB420,000,000 (approximately US$64,277,188) were guaranteed by subsidiaries of the Company.

29 BANK BORROWINGS *(Continued)*

As at December 31, 2016, the secured bank borrowings were secured as follows:

1) the bank borrowing amounting to US$7,000,000 was secured by trade receivables amounting to US$83,144,102; the bank borrowing amounting to EUR1,307,167 (equivalent to US$1,376,850) was secured by trade receivables amounting to EUR1,633,959 (equivalent to US$1,721,062);

2) the bank borrowings amounting to RMB 189,180,000 (equivalent to US$27,271,155), were secured by buildings, land use rights and machinery and factory equipment with net book value of RMB 96,909,423 (equivalent to US$13,969,933), RMB 14,508,149 (equivalent to US$2,091,416) and RMB 13,116,889 (equivalent to US$1,890,859), respectively;

3) the bank borrowings amounting to US$3,707,687 and RMB 150,000,000 (equivalent to US$21,623,180) were guaranteed by ultimate controlling shareholder Mr. Zhu Qiang and Ms. Liu Xiamin, immediate family member of Mr. Zhu Qiang.

As at December 31, 2017 and 2016 the weighted average effective interest rates on borrowings from banks were 4.28% and 4.55%, respectively.

The Group has the following undrawn borrowing facilities:

	2017 US$	2016 US$
Floating rate:		
— Expiring within one year	28,162,119	23,697,285
Fixed rate:		
— Expiring within one year	126,393,735	21,971,759
	154,555,854	45,669,044

The exposure of the bank borrowings to interest rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	2017 US$	2016 US$
6 months or less	118,475,718	51,719,302
Between 6 and 12 months	39,354,836	42,883,937
Between 1 and 2 years	–	51,204
	157,830,554	94,654,443

29 BANK BORROWINGS *(Continued)*

The maturity of bank borrowings as of the balance sheet dates is as follows:

	Bank borrowings	
	2017 **US$**	2016 US$
Portion of loans due for repayment within 1 year:	**157,830,554**	94,603,239
Between 1 and 2 years	**–**	51,204
	157,830,554	94,654,443

30 LOANS FROM RELATED PARTIES

	2017 **US$**	2016 US$
Non-current		
Loans from related parties (a)	**–**	6,787,973
Less: current portion of loans from related parties (a)	**–**	(6,787,973)
	–	–
Current		
Current portion of loans from related parties (a)	**–**	6,787,973
Total loans from related parties	**–**	6,787,973

The carrying amounts of the Group's loans from related parties were denominated in the following currencies:

	2017 **US$**	2016 US$
US$	**–**	6,787,973

30 LOANS FROM RELATED PARTIES *(Continued)*

(a) Loans from related parties

The loans from related parties included:

i) loans from Scrindale Limited, which amounted to US$2,167,973 as at December 31, 2016. The annual interest rate for loans are 6.31%. The loans were due on December 31, 2017 and were reclassified as current portion as at December 31, 2016;

ii) loan from Mr. Zhu Qiang, which amounted to US$500,000 as at December 31, 2016. The loan was interest-free. The loan was due on December 31, 2017 and was reclassified as current portion as at December 31, 2016;

iii) loan from Scrindale Limited, which amounted to US$1,300,000 as at December 31, 2016. The annual interest rate for the loan was 3%. The loan was due on December 31, 2017.

iv) loans from Scrindale Limited, which amounted to US$2,820,000 as at December 31, 2016. The annual interest rate for the loan was 3%. The loans were granted on January 1, 2016 and February 1, 2016, respectively. The loans were due on December 31, 2017.

All above loans were repaid during the year ended December 31, 2017.

The exposure of loans for related parties to interest rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

Group	2017 US$	2016 US$
Between 6 and 12 months	–	6,787,973

The maturity of loans from related parties as of the balance sheet dates is as follows:

	2017 US$	2016 US$
Portion of loans due for repayment within 1 year:	–	6,787,973

The carrying values of the borrowings approximated their fair values, as the market interest rates were relatively stable.

31 TRADE PAYABLES

	2017 US$	2016 US$
Trade payables — third parties	154,661,624	90,423,019

31 TRADE PAYABLES *(Continued)*

The Group's trade payables are denominated in the following currencies:

	2017 US$	2016 US$
RMB	**100,753,185**	61,795,113
US$	**49,316,921**	25,822,040
Other	**4,591,518**	2,805,866
	154,661,624	90,423,019

The ageing analysis of the trade payables based on invoice date was as follows:

	2017 US$	2016 US$
Within 3 months	**146,354,955**	75,418,166
4 to 6 months	**6,719,505**	8,971,751
7 to 12 months	**842,738**	5,368,450
1–2 years	**744,426**	664,652
	154,661,624	90,423,019

32 OTHER PAYABLES AND ACCRUALS

	2017 US$	2016 US$
Current		
Accruals and other payables	**48,340,577**	34,507,018
Payroll and employee benefit payables	**16,153,562**	9,960,413
Advances from customers — third parties	**10,961,069**	7,263,130
Tax payables	**1,008,741**	688,971
Interest payables	**295,638**	124,713
Less: Long-term payables	**(5,441,434)**	(107,756)
	71,318,153	52,436,489

33 DERIVATIVE FINANCIAL INSTRUMENTS

	2017		2016	
	Assets US$	Liabilities US$	Assets US$	Liabilities US$
Forward foreign exchange contracts *(note (a))*	1,794,783	3,502,340	1,482,284	2,815,522

Note:

(a) The notional principal amounts of the RMB and EUR forward foreign exchange contracts at December 31, 2017 and 2016 were US$63,538,950 and US$92,000,000, respectively.

34 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2017 US$	2016 US$
Deferred tax assets:		
— Deferred tax asset to be recovered within 12 months	3,431,643	3,766,158
— Deferred tax asset to be recovered after more than 12 months	1,203,428	101,148
	4,635,071	3,867,306
Deferred tax liabilities:		
— Deferred tax liabilities to be recovered within 12 months	–	(1,220,072)
— Deferred tax liabilities to be recovered after more than 12 months	(784,826)	(605,201)
	(784,826)	(1,825,273)
Deferred tax assets, net	3,850,245	2,042,033

The gross movement of the deferred income tax account is as follows:

	2017 US$	2016 US$
At beginning of year	2,042,033	4,955,622
Currency translation differences	39,268	(126,236)
Statements of profit or loss — credit/(charge) *(Note 12)*	1,768,944	(2,787,353)
At end of year	3,850,245	2,042,033

34 DEFERRED INCOME TAX *(Continued)*

The movement in deferred tax assets and liabilities, without taking consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Provisions US$	Tax losses US$	Fair value losses US$	Unrealised profits US$	Deferred government grants US$	Share-based payments US$	Total US$
At 1 January 2016	2,079,522	2,434,683	407,862	710,834	–	–	5,632,901
(Charged)/credited to the consolidated statements of profit or loss	(75,691)	(1,222,239)	(394,827)	58,524	–	–	(1,634,233)
Currency translation differences	(117,090)	(969)	(13,035)	(268)	–	–	(131,362)
At December 31, 2016	1,886,741	1,211,475	–	769,090	–	–	3,867,306
(Charged)/credited to the consolidated statements of profit or loss	(412,874)	(1,211,191)	272,314	876,470	1,192,497	3,031	720,247
Currency translation differences	88,440	–	11,052	(87,630)	35,656	–	47,518
At December 31, 2017	1,562,307	284	283,366	1,557,930	1,228,153	3,031	4,635,071

Deferred tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at December 31, 2017 and 2016, the Group did not recognise deferred tax assets of US$365,351 and US$76,088, in respect of losses amounting to US$1,137,128 and US$161,451 that can be carried forward against future taxable income.

34 DEFERRED INCOME TAX *(Continued)*

Deferred tax liabilities

	Fair value gains US$	Withholding tax for dividend distribution US$	Others US$	Total US$
At 1 January 2016	–	677,279	–	677,279
Charged to the consolidated statements of profit or loss	292,734	860,386	–	1,153,120
Currency translation differences	(5,126)	–	–	(5,126)
At December 31, 2016	287,608	1,537,665	–	1,825,273
Charged/(credited) to the consolidated statements of profit or loss	**(290,806)**	**–**	**172,109**	**(118,697)**
Utilisation of previous recognised withholding tax	**–**	**(930,000)**	**–**	**(930,000)**
Currency translation differences	**3,198**	**–**	**5,052**	**8,250**
At December 31, 2017	**–**	**607,665**	**177,161**	**784,826**

As at December 31, 2017 and 2016, deferred tax liabilities of US$6,497,144 and US$5,496,101 have not been recognised for the withholding tax that would otherwise be payable on the unremitted earnings of certain subsidiaries. Management currently has no intention to remit those earnings in the foreseeable future. Such unremitted earnings totalled US$129,942,871 and US$109,922,018, as at December 31, 2017 and 2016, respectively.

35 RETIREMENT BENEFIT OBLIGATIONS

The table below outlines where the Group's post-retirement benefit obligations amounts and activity are included in the financial statements.

	2017 US$	2016 US$
Liability for:		
— post-retirement benefit obligations	**300,299**	155,932
Statement of profit or loss charge included in operating profit for:		
— post-retirement benefit obligations	**130,842**	72,842

The Group operates post-retirement benefit obligations in the PRC. The level of benefits provided depends on members' length of service and their job titles.

35 RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

The current service cost of the post-retirement benefits recognised in the statement of profit or loss in employee benefit expense, reflects the increase in the post-retirement benefits results from employee service in the current year, benefit changes, curtailments and settlements.

The movement in the post-retirement benefit obligations is as follows:

	Present value of obligation US$
At January 1, 2016	91,333
Current service cost	68,426
Interest expense	4,415
Currency translation differences	(8,242)
At December 31, 2016	155,932
Current service cost	122,211
Interest expense	8,631
Currency translation difference	13,525
At December 31, 2017	300,299

The significant assumptions were as follows:

	2017	2016
Discount rate	**5%**	5%

The sensitivity of the post-retirement benefit obligations to changes in the weighted principal assumptions is:

	Impact on post-retirement benefits obligation		
2017	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.5%**	**Decrease by 0.6%**	**Increase by 0.6%**

	Impact on post-retirement benefits obligation		
2016	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 0.6%	Increase by 0.6%

36 DEFERRED INCOME ON GOVERNMENT GRANTS

	Deferred Income on government grants US$
Year ended December 31, 2017	
Opening net book amount	–
Government grants received	4,799,707
Credited to the consolidated statements of profit or loss *(Note 7)*	(29,720)
Currency translation differences	142,627
Closing net book amount	4,912,614
At December 31, 2017	
Cost	4,943,222
Accumulated amortisation	(30,608)
Net book amount	4,912,614

In 2017, certain subsidiaries of the Group received government grants with total amount of RMB32,300,000 (equivalent to US$4,799,707). The government grant was recorded as deferred government grants and credited to the consolidated statement of profit or loss on a straight-line basis over the expected useful lives of the corresponding property, plant and equipment.

37 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to cash generated from operations

	2017 US$	2016 US$
Profit before income tax	60,293,293	57,041,586
Adjustments for:		
— Depreciation of property, plant and equipment *(Note 17)*	12,699,314	10,862,143
— Amortisation of land use right *(Note 16)*	480,288	356,792
— Amortisation of intangible assets *(Note 18)*	79,596	41,581
— Losses on disposal of property, plant and equipment *(Note 8)*	441,232	735,096
— Share-based payment *(Note 10)*	18,372	–
— Fair value gains on derivative financial instruments *(Note 8)*	(1,898,795)	(404,757)
— Fair value gains on financial assets at fair value through profit or loss *(Note 8)*	(4,409)	(735)
— Provision for impairment of receivables *(Note 9)*	322,552	570,134
— (Reversal of)/provision for write-down of inventories *(Note 9)*	(314,761)	1,386,578
— Finance expenses — net *(Note 11)*	3,665,221	4,935,270
— Foreign exchange losses/(gains) on operating activities	8,242,708	(5,912,385)
— Deferred government grants	(29,720)	–
Changes in working capital (excluding the currency translation differences on consolidation):		
— (Increase)/decrease in pledged bank deposits	(588,815)	5,572,415
— (Increase)/decrease in inventories	(88,283,086)	25,509,071
— Increase in trade receivables	(45,323,070)	(24,626,227)
— (Increase)/decrease in prepayments and other receivables	(5,509,196)	5,359,421
— Increase/(decrease) in trade payables	64,238,605	(1,159,276)
— Increase/(decrease) in other payables and accruals	21,710,169	(30,073)
— Increase/(decrease) in due to related parties	264,016	(596,964)
Cash generated from operations	30,503,514	79,639,670

(b) In the consolidated cash flow statements, proceeds from disposal of property, plant and equipment comprise:

	2017 US$	2016 US$
Net book value *(Note 17)*	547,014	843,356
Losses on disposal of property, plant and equipment *(Note 8)*	(441,232)	(735,096)
Proceeds from disposal of property, plant and equipment	105,782	108,260

37 CASH GENERATED FROM OPERATIONS *(Continued)*

(c) This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2017 US$	2016 US$
Cash and cash equivalents	110,737,589	22,964,807
Borrowings — repayable within one year	(157,830,554)	(94,603,239)
Borrowings — repayable after one year	–	(51,204)
Loans from related parties	–	(6,787,973)
Proceeds from disposal of property, plant and equipment	(47,092,965)	(78,477,609)

	Borrowings (Current) US$	Borrowings (Non-current) US$	Loans from related parties (Current) US$	Loans from related parties (Non-current) US$	Total US$
As of January 1, 2016	131,534,853	41,807	1,300,000	2,667,973	135,544,633
Currency translations	(6,977,063)	(1,709)	–	–	(6,978,772)
Cash flows					
— inflow from financing activities	103,576,652	11,106	2,820,000	–	106,407,758
— outflow from financing activities	(133,531,203)	–	–	–	(133,531,203)
Non-cash changes					
— reclassification	–	–	2,667,973	(2,667,973)	–
As of December 31, 2016	94,603,239	51,204	6,787,973	–	101,442,416
Currency translations	11,069,755	3,421	–	–	11,073,176
Cash flows					
— inflow from financing activities	237,724,718	–	–	–	237,724,718
— outflow from financing activities	(185,567,158)	(54,625)	(6,787,973)	–	(192,409,756)
As of December 31, 2017	157,830,554	–	–	–	157,830,554

38 COMMITMENTS

(a) Capital commitments

The capital commitments of the Group as at the respectively balance sheet dates were as follows:

	2017 US$	2016 US$
Contracted but not provided for Property, plant and equipment	23,389,241	7,186,750

(b) Commitments under operating leases

As at December 31, 2017 and 2016, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2017 US$	2016 US$
No later than 1 year	958,669	478,836
Later than 1 year and no later than 2 years	575,688	443,786
Later than 2 years and less than 3 years	96,000	381,427
	1,630,357	1,304,049

39 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the year ended December 31, 2017 and 2016, and balances arising from related party transactions as at the respective balance sheet dates.

Name and relationship with related parties are set out below:

Related party	Relationship
Great Access	Ultimate holding company
Mr. Zhu Qiang	One of the controlling shareholders
Ms. Liu Xiamin	Immediate family member of Mr. Zhu Qiang
Outland Enterprise	One of the shareholders
Patrizio Fumagalli	One of the shareholders
Scrindale Limited	Entity controlled by ultimate controlling shareholder
Great Success	Immediate holding company
Hong Kong Greatwall Enterprises Limited (“Greatwall”)	Entity controlled by ultimate controlling shareholder
Hong Kong Anson Enterprise Limited (“Anson Enterprise”)	Entity controlled by ultimate controlling shareholder
Shanghai Shitong Plastic Production Factory (“Shanghai Shitong”)	Entity controlled by a relative of the ultimate controlling shareholder
Shanghai Yaming Plastic Production Factory (“Shanghai Yaming”)	Entity controlled by a relative of the ultimate controlling shareholder

39 RELATED PARTY TRANSACTIONS *(Continued)*

Related party	Relationship
Shanghai Mingwei Printing Company Limited ("Shanghai Mingwei")	Entity controlled by a relative of the ultimate controlling shareholder
Shanghai Jiufeng Plastic Production Company Limited ("Shanghai Jiufeng")	Entity controlled by a relative of the ultimate controlling shareholder
Shanghai Kailiang Plastic Production Company Limited ("Shanghai Kailiang")	Entity controlled by a relative of the ultimate controlling shareholder
Shanghai Jiemao Plastic Company Limited ("Shanghai Jiemao")	Entity controlled by a relative of the ultimate controlling shareholder
Nantong Jiemao Plastic Company Limited ("Nantong Jiemao")	Entity controlled by a relative of the ultimate controlling shareholder

(a) Transactions with related parties

Continuing transactions

(i) Purchases

	2017 US$	2016 US$
— Shanghai Shitong	1,899,873	1,356,574
— Shanghai Mingwei	1,301,897	1,069,715
— Shanghai Yaming	1,036,565	971,672
— Shanghai Jiufeng	752,995	701,345
— Nantong Jiemao	565,894	–
— Shanghai Kailiang	520,892	694,574
— Shanghai Jiemao	289,116	728,982
	6,367,232	5,522,862

The related party transactions above were carried out on terms mutually agreed between the parties. In the opinion of the directors of the Company, these transactions are in the ordinary courses of business of the Group and in accordance with the terms of the underlying agreements.

(ii) Key management compensation:

	2017 US$	2016 US$
Salaries, bonus and other welfares	1,729,462	2,069,680
Share options granted	18,372	–
	1,747,834	2,069,680

39 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with related parties *(Continued)*

Discontinued transactions

(iii) Commission

	2017 US$	2016 US$
— Great Access	135,698	489,968

In accordance with the agreement signed on 1 January 2016, in return for the publicity and brand marketing service Great Access provided in Central and South America, Asia and Australia, Bestway Shanghai agreed to pay certain commission charges to Great Access.

(iv) Loans from related parties

	2017 US$	2016 US$
— Scrindale Limited	–	2,820,000

On December 30, 2015, Bestway Hong Kong and Scrindale Limited entered into a loan agreement, whereby Scrindale Limited agreed to grant loan amounting to US$230,000 at the annual interest rate of 3% from January 1, 2016. The maturity date of the loan is December 31, 2017.

On January 31, 2016, Bestway Hong Kong and Scrindale Limited entered into a loan agreement, whereby Scrindale Limited agreed to grant loan amounting to US$2,590,000 at the annual interest rate of 3% from February 1, 2016. The maturity date of the loan is December 31, 2017.

All above loans were repaid during the year ended December 31, 2017.

(v) Loans to a related party

	2017 US$	2016 US$
— Great Success	–	150,000

On January 1, 2016, Bestway Enterprise entered into a loan agreement with Great Success, whereby Bestway Enterprise granted loan amounting to US$150,000 to Great Success with the term of one year period. As at December 31, 2016, the loan agreement was renewed and the repayment date was extended to December 31, 2017. The loan is interest free. The loan was repaid during the year ended December 31, 2017.

39 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties

(i) Amount due from related parties:

	2017 US$	2016 US$
— Patrizio Fumagalli	**246,733**	112,151
— Great Success	**–**	44,793
— Outland Enterprise	**–**	6,703
— Scrindale Limited	**–**	242
— Greatwall	**–**	4,146
	246,733	168,035

The amounts due from related parties were non-trade in nature, unsecured, non-interest bearing and had no fixed repayment term as at December 31, 2017 and 2016.

(ii) Amount due to related parties

	2017 US$	2016 US$
Dividend payables		
— Scrindale Limited	**–**	164,660
Interest payables		
— Scrindale Limited	**–**	92,958
Trade payables		
— Nantong Jiemao	**607,151**	–
— Shanghai Yaming	**576,787**	542,160
— Shanghai Shitong	**524,719**	286,725
— Shanghai Mingwei	**412,590**	222,415
— Shanghai Jiufeng	**255,152**	210,788
— Shanghai Jiemao	**27,687**	254,625
— Shanghai Kailiang	**18,747**	280,675
	2,422,833	1,797,388
Other payables		
— Anson Enterprise	**741**	104,552
	2,423,574	2,159,558

39 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties *(Continued)*

(ii) Amount due to related parties *(Continued)*

As at December 31, 2017 and 2016, the ageing analysis of the above trade payables due to related parties based on invoice date was as follows:

	2017 US$	2016 US$
Within 3 months	2,342,602	1,608,582
4 to 6 months	12,361	96,050
7 to 12 months	11,279	64,076
1–2 years	56,591	28,680
	2,422,833	1,797,388

(iii) Loans from related parties

	2017 US$	2016 US$
Loan from related parties-current portion *(Note 30)*		
— Scrindale Limited	–	6,287,973
— Mr. Zhu Qiang	–	500,000
	–	6,787,973

(iv) Loans to related parties

	2017 US$	2016 US$
Loan to a related party		
— Great Success	–	150,000

The loan balance as at December 31, 2016 represented short term loans to Great Success with principal of US$150,000 which was interest free and repayable within one year. The loan was repaid by the related party during the year ended December 31, 2017.

(c) Guarantees

As at December 31, 2017, the bank borrowings of US$36,328,186 and RMB420,000,000 (approximately US$64,277,188) were guaranteed by subsidiaries of the Company. As at December 31, 2016, the bank borrowings of US$3,707,687 and RMB150,000,000 (equivalent to US$21,623,180) were guaranteed by Mr. Zhu Qiang and Ms. Liu Xiamin.

40 CONTINGENCIES

As at December 31, 2017, there are 4 outstanding intellectual property rights claims against some of our subsidiaries. According to McDermott Will & Emery, the legal advisors of the Group for these claims, the Group could potentially face liability not exceeding the value of reasonable royalty or such competitor's lost profits for the use of the alleged invention plus potential legal fees and costs, and interest which are not expected to be significant. As such, these legal proceedings individually or in aggregate would not have material financial or operational adverse impact on the Group.

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	2017 US$	2016 US$
ASSETS		
Non-current assets		
Investments in subsidiaries	**164,826,839**	24,308,467
	164,826,839	24,308,467
Current assets		
Prepayments and other receivables	**23,525,256**	709,451
Cash and cash equivalents	**174,761**	1,122
	23,700,017	710,573
Total assets	**188,526,856**	25,019,040
EQUITY		
Share capital	**1,355,633**	1
Share premium	**140,636,893**	–
Other reserves	**41,630,029**	24,308,466
Total equity	**183,622,555**	24,308,467
LIABILITIES		
Current liabilities		
Other payables and accruals	**4,904,301**	710,573
Total liabilities	**4,904,301**	710,573
Total equity and liabilities	**188,526,856**	25,019,040
Net current assets	**18,795,716**	–
Total assets less current liabilities	**183,622,555**	24,308,467

The balance sheet of the Company was approved by the Board of Directors on March 19, 2018 and were signed on its behalf.

Zhu Qiang	**Duan Kaifeng**
Executive Director	*Executive Director*

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Company	Retained earnings US$	Other reserves US$	Total US$
Balance at January 1 2016	24,305,780	–	24,305,780
Profit for the year	3,239,356	–	3,239,356
Dividends *(Note 14)*	(3,236,670)	–	(3,236,670)
Balance at December 31, 2016	24,308,466	–	24,308,466
Profit for the period	**28,170,598**	**–**	**28,170,598**
Employees share option scheme:			
— Value of employee services	**–**	**18,372**	**18,372**
Currency translation differences	**734,593**	**–**	**734,593**
Dividends *(Note 14)*	**(11,602,000)**	**–**	**(11,602,000)**
Balance at December 31, 2017	**41,611,657**	**18,372**	**41,630,029**

42 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended December 31, 2017

Name of Director	Fees US$	Salaries US$	Bonus US$	Pension, housing fund, medical insurance and other welfare benefits US$	Total US$
Executive directors					
Zhu Qiang	49,124	48,686	55,881	5,394	159,085
Liu Feng	–	41,280	28,771	3,091	73,142
Tan Guozheng	–	44,123	29,646	3,977	77,746
Duan Kaifeng	–	42,410	19,152	3,091	64,653
Independent non-executive directors					
Dai Guo Qiang	5,087	–	–	–	5,087
Lam Yiu Kin	4,273	–	–	–	4,273
Yao Zhi Xian	5,087	–	–	–	5,087
	63,571	176,499	133,450	15,553	389,073

42 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

For the year ended December 31, 2016

Name of Director	Fees US$	Salaries US$	Bonus US$	Pension, housing fund, medical insurance and other welfare benefits US$	Total US$
Executive directors					
Zhu Qiang	49,516	45,765	56,865	2,845	154,991
Liu Feng	–	34,113	29,336	2,845	66,294
Tan Guozheng	–	35,571	22,099	6,424	64,094
	49,516	115,449	108,300	12,114	285,379

(i) During the year ended December 31, 2017, Mr. Zhu Qiang was the chairman and chief executive officer of the Company.

(ii) During the year ended December 31, 2017, Mr. Liu Feng was the executive vice president of the Company.

(iii) Mr. Tan Guozheng was appointed as a director and vice president of the Company on March 31, 2014, and was re-designated as the executive director on May 15, 2017.

(iv) Mr. Duan Kaifeng was appointed as the chief financial officer of the Company on May 10, 2017.

(v) Mr. Dai Guoqiang, Mr. Lam Yiu Kin and Mr. Yao Zhixian were appointed as the Company's independent non-executive directors on October 18, 2017.

Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertaking		Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking		Total	
2017 US$	2016 US$	**2017 US$**	2016 US$	**2017 US$**	2016 US$
63,571	49,516	**339,949**	235,863	**389,073**	285,379

42 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' retirement benefits

There were no retirement benefits paid to any director during or at any time for the year ended December 31, 2017 and 2016.

(c) Directors' termination benefits

There were no termination benefits paid to any director during or at any time for the year ended December 31, 2017 and 2016.

(d) Consideration provided to third parties for making available directors' services

During the year ended December 31 2017 and 2016, the Company provided no consideration to third parties for making available director's services.

(e) Information about loans, quasi-loans and other dealings in favour of directors

There were no loans, quasi-loans and other dealings entered into between the Group and the directors and in favour of the directors as at December 31, 2017 and 2016, or at any time for the year ended December 31, 2017 and 2016.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at December 31, 2017 and 2016 or at any time for the year ended December 31, 2017 and 2016.

BESTWAY IN THE LAST FOUR YEARS

CONSOLIDATED RESULTS

	For the year ended December 31,			
	2017 US$	2016 US$	2015 US$	2014 US$
Revenue	**722,546,180**	584,529,415	513,531,678	467,913,702
Cost of sales	**(539,770,782)**	(419,992,751)	(401,486,876)	(371,065,671)
Gross profit	**182,775,398**	164,536,664	112,044,802	96,848,031
Selling and distribution expenses	**(68,863,132)**	(60,703,611)	(48,002,896)	(44,384,298)
Administrative expenses	**(60,565,996)**	(48,625,082)	(41,799,682)	(35,135,256)
Other income	**16,846,940**	2,101,390	5,428,026	1,837,656
Other (losses)/gains — net	**(6,234,696)**	4,667,495	919,967	(4,431,125)
Operating profit	**63,958,514**	61,976,856	28,590,217	14,735,008
Finance income	**218,153**	491,698	1,344,500	660,496
Finance expenses	**(3,883,374)**	(5,426,968)	(8,080,740)	(3,527,747)
Finance (expenses)/income — net	**(3,665,221)**	(4,935,270)	(6,736,240)	(2,867,251)
Profit before income tax	**60,293,293**	57,041,586	21,853,977	11,867,757
Income tax expense	**(12,724,885)**	(14,021,928)	(6,664,013)	(3,437,385)
Profit for the year	**47,568,408**	43,019,658	15,189,964	8,430,372
Profit attributable to:				
Owner of the Company	**47,462,397**	43,339,569	16,459,544	8,174,598
Non-controlling interests	**106,011**	(319,911)	(1,269,580)	255,774
	47,568,408	43,019,658	15,189,964	8,430,372

CONSOLIDATED ASSETS AND LIABILITIES

	As of December 31,			
	2017 US$	2016 US$	2015 US$	2014 US$
Total assets	**811,545,660**	462,981,115	472,610,997	468,743,228
Total liabilities	**411,610,885**	259,073,066	293,093,957	294,201,844
Total equity	**399,934,775**	203,908,049	179,517,040	174,541,384

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhu Qiang (朱強)
(Chief executive officer, Chairman)
Mr. Liu Feng (劉峰)
Mr. Tan Guozheng (譚國政)
Mr. Duan Kaifeng (段開峰)

Independent Non-executive Directors

Mr. Dai Guoqiang (戴國強)
Mr. Lam Yiu Kin (林耀堅)
Mr. Yao Zhixian (姚志賢)

AUDIT COMMITTEE

Mr. Lam Yiu Kin (林耀堅) *(Chairman)*
Mr. Dai Guoqiang (戴國強)
Mr. Yao Zhixian (姚志賢)

REMUNERATION COMMITTEE

Mr. Yao Zhixian (姚志賢) *(Chairman)*
Mr. Lam Yiu Kin (林耀堅)
Mr. Zhu Qiang (朱強)

NOMINATION COMMITTEE

Mr. Dai Guoqiang (戴國強) *(Chairman)*
Mr. Yao Zhixian (姚志賢)
Mr. Zhu Qiang (朱強)

RISK MANAGEMENT COMMITTEE

Mr. Zhu Qiang (朱強) *(Chairman)*
Mr. Tan Guozheng (譚國政)
Mr. Zhang Zhu (張鑄)

JOINT COMPANY SECRETARIES

Mr. Zhao Wei (趙煒)
Ms. Choy Yee Man (蔡綺文)

AUTHORISED REPRESENTATIVES

Mr. Liu Feng (劉峰)
Ms. Choy Yee Man (蔡綺文)

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AUDITOR

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HONG KONG LEGAL ADVISOR

Cleary Gottlieb Steen & Hamilton (Hong Kong)

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

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