Bestway Global Holding Inc.
榮威國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3358)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2018

The board of directors (the "**Directors**") (the "**Board**") of Bestway Global Holding Inc. (the "**Company**") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**", "**we**" or "**our**") for the six months ended June 30, 2018, together with the comparative figures for the six months ended June 30, 2017.

FINANCIAL HIGHLIGHTS

	For the six months ended June 30,			
	2018	2017	**Change**	**Change**
	US$	*US$*	*(US$)*	*(%)*
	(unaudited)	(audited)		
Revenue	**525,102,625**	421,625,518	103,477,107	24.5%
Gross profit	**124,941,687**	117,423,074	7,518,613	6.4%
Gross profit margin	**23.8%**	27.9%	(4.1%)	N/A
EBITDA	**57,971,909**	52,289,341	5,682,568	10.9%
Net profit	**36,778,946**	34,604,931	2,174,015	6.3%
Net profit margin	**7.0%**	8.2%	(1.2%)	N/A
Earnings per share				
— Basic	**0.0337**	0.0440	(0.0103)	(23.4%)
— Diluted	**0.0336**	0.0440	(0.0104)	(23.6%)
Dividend	**N/A**	N/A	N/A	N/A

INTERIM DIVIDEND

The Board did not recommend payment of interim dividend for the six months ended June 30, 2018.

FINANCIAL INFORMATION

The financial information set out below in this announcement represents an extract from the interim condensed consolidated financial information, which is unaudited but has been reviewed by the audit committee of the Company.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended June 30, 2018 US$ (unaudited)	2017 US$ (audited)
Revenue	*8*	**525,102,625**	421,625,518
Cost of sales	*8*	**(400,160,938)**	(304,202,444)
Gross profit		**124,941,687**	117,423,074
Selling and distribution expenses		**(54,393,673)**	(43,326,856)
General and administrative expenses		**(34,200,847)**	(27,703,475)
Other income		**7,316,538**	2,445,237
Other gains/(losses) — net		**5,749,001**	(2,721,327)
Operating profit	*9*	**49,412,706**	46,116,653
Finance income		**212,563**	49,976
Finance expenses		**(3,527,394)**	(1,899,828)
Finance expenses — net		**(3,314,831)**	(1,849,852)
Profit before income tax		**46,097,875**	44,266,801
Income tax expense	*10*	**(9,318,929)**	(9,661,870)
Profit for the period		**36,778,946**	34,604,931
Profit attributable to:			
Shareholders of the Company		**35,679,586**	34,955,056
Non-controlling interests		**1,099,360**	(350,125)
		36,778,946	34,604,931
Earnings per share for profit attributable to shareholders of the Company for the period			
— Basic earnings per share	*11*	**0.0337**	0.0440
— Diluted earnings per share	*11*	**0.0336**	0.0440

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended June 30, 2018 US$ (unaudited)	2017 US$ (audited)
Profit for the period	**36,778,946**	34,604,931
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	**(6,118,475)**	6,333,522
Other comprehensive income for the period, net of tax	**(6,118,475)**	6,333,522
Total comprehensive income for the period	**30,660,471**	40,938,453
Attributable to:		
— Shareholders of the Company	**29,908,990**	41,336,541
— Non-controlling interests	**751,481**	(398,088)
Total comprehensive income for the period	**30,660,471**	40,938,453

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at	
		June 30,	December 31,
		2018	2017
	Notes	***US$***	*US$*
		(unaudited)	(audited)
Assets			
Non-current assets			
Land use rights	*13*	**37,933,170**	25,273,107
Property, plant and equipment	*13*	**247,479,358**	223,818,719
Intangible assets	*13*	**971,345**	567,649
Deferred tax assets	*21*	**5,397,421**	4,635,071
Available-for-sale financial assets		**–**	457,636
Financial assets at fair value through other comprehensive income		**457,636**	–
Prepayments and other receivables		**2,821,584**	13,517,493
		295,060,514	268,269,675
Current assets			
Inventories		**214,159,532**	250,962,383
Trade receivables	*14*	**191,635,531**	139,607,653
Prepayments and other receivables		**37,880,478**	35,281,221
Financial assets at fair value through profit or loss	*15*	**17,253,676**	1,149,620
Derivative financial instruments	*20*	**365,012**	1,794,783
Restricted cash		**4,147,281**	3,742,736
Cash and cash equivalents		**75,846,168**	110,737,589
		541,287,678	543,275,985
Total assets		**836,348,192**	811,545,660
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	*16*	**1,355,633**	1,355,633
Share premium	*16*	**140,636,893**	140,636,893
Other reserves		**275,017,158**	258,753,820
		417,009,684	400,746,346
Non-controlling interests		**(60,090)**	(811,571)
Total equity		**416,949,594**	399,934,775

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

		As at	
		June 30, 2018	December 31, 2017
	Notes	***US$***	*US$*
		(unaudited)	(audited)
Liabilities			
Non-current liabilities			
Deferred tax liabilities	*21*	**938,727**	784,826
Other payables and accruals		**6,224,025**	5,441,434
Retirement benefit obligations	*22*	**367,478**	300,299
Deferred income on government grants		**4,378,382**	4,912,614
		11,908,612	11,439,173
Current liabilities			
Trade payables	*19*	**132,225,469**	154,661,624
Other payables and accruals		**56,027,061**	71,318,153
Contract liabilities		**5,697,640**	–
Due to related parties	*24*	**1,933,031**	2,423,574
Current income tax liabilities		**16,615,928**	10,435,467
Borrowings	*18*	**193,977,224**	157,830,554
Derivative financial instruments	*20*	**1,013,633**	3,502,340
		407,489,986	400,171,712
Total liabilities		**419,398,598**	411,610,885
Total equity and liabilities		**836,348,192**	811,545,660
Net current assets		**133,797,692**	143,104,273
Total assets less current liabilities		**428,858,206**	411,373,948

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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 are principally engaged in the manufacturing and sales of high quality and innovative PVC sporting and leisure products in the Europe, North America, People's Republic of China (the "PRC") and other global markets.

The Group is ultimately controlled by Mr. Zhu Qiang together with his immediate family members through Great Access Industry Inc. ("Great Access") and Great Success Enterprises Holdings Limited ("Great Success").

This condensed consolidated interim financial statements is presented in United States Dollars ("US$"), unless otherwise stated. This condensed consolidated interim financial statements was approved by the Board on August 16, 2018.

This condensed consolidated interim financial statements has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial statements for the six months ended June 30, 2018 has been prepared in accordance with HKAS 34, "Interim financial reporting". The condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2017, as described in those annual financial statements except for the adoption of amendments to HKFRSs effective for the financial year ending December 31, 2018.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

(i) HKFRS 9 Financial Instruments, and

(ii) HKFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 4 below. The other standards did not have any material impact on the Group's accounting policies and did not require retrospective adjustments.

(b) 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, 2018 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKFRS 16	Leases	January 1, 2019[(i)]
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	January 1, 2019
HKFRS 17	Insurance Contracts	January 1, 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

(i) HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised 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 recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of US$3,479,622. Part of these are related to payments for short-term and low-value leases which will be recognised on a straight-line basis as an expense in profit or loss.

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.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after January 1, 2019. The Group does not intend to adopt the standard before its effective date.

4 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from January 1, 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The Group used modified retrospective approach while adopting HKFRS 9. The reclassification and adjustments are therefore not reflected in the balance sheet as at December 31, 2017, but are recognised in the opening balance sheet on January 1, 2018.

The Group adopted HKFRS 15 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 following tables show the adjustments recognised for each individual line item. The adjustments are explained in more details below.

	December 31, 2017 As originally presented	HKFRS 9	HKFRS 15	January 1, 2018 Restated
	US$	*US$*	*US$*	*US$*
Assets				
Non-current assets				
Land use rights	25,273,107	–	–	25,273,107
Property, plant and equipment	223,818,719	–	–	223,818,719
Intangible assets	567,649	–	–	567,649
Deferred tax assets	4,635,071	–	–	4,635,071
Available-for-sale financial assets	457,636	(457,636)	–	–
Financial assets at fair value through other comprehensive income	–	457,636	–	457,636
Prepayments and other receivables	13,517,493	–	–	13,517,493
	268,269,675	–	–	268,269,675
Current assets				
Inventories	250,962,383	–	–	250,962,383
Trade receivables	139,607,653	–	–	139,607,653
Prepayments and other receivables	35,281,221	–	–	35,281,221
Due from related parties	–	–	–	–
Financial assets at fair value through profit or loss	1,149,620	–	–	1,149,620
Derivative financial instruments	1,794,783	–	–	1,794,783
Cash and cash equivalents	110,737,589	–	–	110,737,589
Restricted cash	3,742,736	–	–	3,742,736
	543,275,985	–	–	543,275,985
Total assets	811,545,660	–	–	811,545,660
Equity and liabilities				
Equity attributable to owner of the Company				
Share capital	1,355,633	–	–	1,355,633
Share premium	140,636,893	–	–	140,636,893
Other reserves	258,753,820	–	–	258,753,820
	400,746,346	–	–	400,746,346
Non-controlling interests	(811,571)	–	–	(811,571)
Total equity	399,934,775	–	–	399,934,775

	December 31, 2017 As originally presented US$	HKFRS 9 US$	HKFRS 15 US$	January 1, 2018 Restated US$
Liabilities				
Non-current liabilities				
Deferred tax liabilities	784,826	–	–	784,826
Other payables and accruals	5,441,434	–	–	5,441,434
Retirement benefit obligations	300,299	–	–	300,299
Deferred income on government grants	4,912,614	–	–	4,912,614
	11,439,173	–	–	11,439,173
Current liabilities				
Trade payables	154,661,624	–	–	154,661,624
Other payables and accruals	71,318,153	–	(10,961,069)	60,357,084
Contract liabilities	–	–	10,961,069	10,961,069
Due to related parties	2,423,574	–	–	2,423,574
Current income tax liabilities	10,435,467	–	–	10,435,467
Borrowings	157,830,554	–	–	157,830,554
Derivative financial instruments	3,502,340	–	–	3,502,340
	400,171,712	–	–	400,171,712
Total liabilities	411,610,885	–	–	411,610,885
Total equity and liabilities	811,545,660	–	–	811,545,660

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

(b) HKFRS 9 Financial Instruments — Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 4(c) below. In accordance with the transitional provisions in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated as the Group does not have any hedge instrument.

(i) Classification and measurement

On January 1, 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets — January 1, 2018	**Available-for-sale financial assets** *US$*	**Financial assets at fair value through other comprehensive income** *US$*
Closing balance December 31, 2017 — HKAS 39	457,636	–
Reclassify non-trading equities from available-for-sale financial assets to financial assets at fair value through other comprehensive income	(457,636)	457,636
Opening balance January 1, 2018 — HKFRS 9	–	457,636

The Group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale financial assets, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of US$457,636 were reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income on January 1, 2018.

(ii) Impairment of financial assets

The Group has trade receivables for sales of products that are subject to HKFRS 9's new expected credit loss model, and the Group was required to revise its impairment methodology under HKFRS 9 for these receivables.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The adoption of new approach did not result in any material impact on the amounts reported in the opening balance sheet on January 1, 2018 and the financial information during the six months ended June 30, 2018.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 1 year.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, no impairment loss was identified.

(c) HKFRS 9 Financial Instruments — Accounting policies applied from January 1, 2018

(i) Investments and other financial assets

Classification

From January 1, 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at financial assets at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From January 1, 2018, the Group assesses the expected credit losses associated with its financial assets on a forward looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(ii) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Derivative instruments held by the Group do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated income statement.

(d) HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from January 1, 2018 which resulted in changes in accounting policies. The Group adopted HKFRS 15 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. Following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (January 1, 2018).

	HKAS 18 carrying amount December 31, 2017	**Reclassification**	**HKFRS 15 carrying amount January 1, 2018**
	US$	*US$*	*US$*
Other payables and accruals	71,318,153	(10,961,069)	60,357,084
Contract liabilities	–	10,961,069	10,961,069

There was no impact on the Group's retained earnings as at January 1, 2018 and January 1, 2017.

(i) Accounting for refunds

The Group's obligations to provide a refund for faulty products are under the standard warranty terms. Accumulated experience is used to estimate such returns at the time of sale. Because of the large size and low value of each individual product, the amount of products returned were immaterial. It is highly probable that a significant reversal in the cumulative revenue recognised will not occur. Therefore, no refund liability for goods return was recognised. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. As a result, no accounting impact for refunds while applying HKFRS 15.

(ii) Accounting for customer loyalty programme

The Group did not introduce any customer loyalty programme which could be affected by the HKFRS 15.

(iii) Accounting for costs to fulfil a contract

No additional costs occurred to fulfil the contracts were identified.

(iv) Presentation of assets and liabilities related to contracts with customers

Reclassifications were made as at January 1, 2018 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities in relation to advance receipts from customers were previously included in other payables and accruals (US$10,961,069 as at January 1, 2018).

(e) HKFRS 15 Revenue from Contracts with Customers — Accounting policies

(i) Sales of goods

The Group manufactures and sells outdoor leisure products in global market. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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

5 ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2017.

6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

6.1 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, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2017.

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

6.2 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.

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$*	**Between 1 and 2 years** *US$*	**Total** *US$*
At June 30, 2018			
Borrowings	**193,977,224**	**–**	**193,977,224**
Interest payables for borrowings	**3,314,663**	**–**	**3,314,663**
Trade payables	**132,225,469**	**–**	**132,225,469**
Other payables	**17,014,944**	**6,224,025**	**23,238,969**
Due to related parties	**1,933,031**	**–**	**1,933,031**
	348,465,331	**6,224,025**	**354,689,356**
At December 31, 2017			
Borrowings	157,830,554	–	157,830,554
Interest payables for 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

6.3 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).

The following table presents the Group's assets and liabilities that are measured at fair value as at June 30, 2018 and December 31, 2017.

	As at	
	June 30, 2018	December 31, 2017
	US$	*US$*
	(unaudited)	(audited)
Assets		
Financial assets at fair value through profit or loss *(Note 15)*		
— Investment fund	**17,022,691**	–
— Wealth management products	**230,985**	1,149,620
	17,253,676	1,149,620
Derivative financial instruments *(Note 20)*		
— Forward foreign exchange contracts	**288,410**	1,794,783
— Foreign exchange-related options	**76,602**	–
	365,012	1,794,783
Liabilities		
Derivative financial instruments *(Note 20)*		
— Forward foreign exchange contracts	**976,265**	3,502,340
— Foreign exchange-related options	**37,368**	–
	1,013,633	3,502,340

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 six months ended June 30, 2018, 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.

7 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:

	For the six months ended June 30,	
	2018	2017
	US$	*US$*
	(unaudited)	(audited)
Europe *(i)*	**280,539,437**	217,920,572
North America *(ii)*	**181,974,016**	141,480,626
Asia Pacific *(iii)*	**29,496,864**	24,136,902
Including: Mainland China	**17,468,888**	10,521,500
Rest of the world *(iv)*	**33,092,308**	38,087,418
Total	**525,102,625**	421,625,518

Notes:

(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 six months ended June 30, 2017 and 2018.

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

	As at	
	June 30, 2018	December 31, 2017
	US$	*US$*
	(unaudited)	(audited)
Europe	**1,629,311**	706,559
North America	**3,236,250**	3,258,874
Asia Pacific	**284,335,071**	259,211,322
Including: Mainland China	**284,322,006**	259,111,635
Rest of the world	**4,825**	213
Total	**289,205,457**	263,176,968

8 REVENUE AND COST OF SALES

	For the six months ended June 30,			
	2018		2017	
	Revenue	**Cost of sales**	Revenue	Cost of sales
	US$	***US$***	*US$*	*US$*
	(unaudited)	**(unaudited)**	(audited)	(audited)
Above-ground pools and portable spas	**235,045,541**	**181,809,517**	201,241,041	150,416,221
Recreation products	**110,081,717**	**85,555,705**	82,246,456	58,697,466
Sporting goods	**82,261,701**	**57,258,751**	62,151,295	41,044,042
Camping products	**97,713,666**	**75,536,965**	75,986,726	54,044,715
	525,102,625	**400,160,938**	421,625,518	304,202,444

9 OPERATING PROFIT

An analysis of the amounts presented as operating items in the financial information is given below.

	For the six months ended June 30,	
	2018	2017
	US$	*US$*
	(unaudited)	(audited)
Raw materials and consumables used	**303,238,567**	232,996,679
Wages and salaries, social welfare and benefits, including directors' emoluments	**85,819,360**	62,978,860
Transportation expenses	**16,564,912**	12,041,134
Processing fee	**16,078,880**	11,506,750
Service fees and commissions	**10,834,169**	9,188,702
Utility fee	**8,877,023**	7,655,558
Depreciation and amortisation	**8,559,203**	6,172,688
Advertising and promotion expenses	**6,331,517**	5,654,006
Provision for impairment of trade and other receivables	**892,353**	155,216
Provision for/(reversal of) write-down of inventories	**716,571**	(480,431)
Government grants	**(1,711,339)**	(2,221,507)
Amortisation of deferred government grants	**(476,035)**	(14,588)
Losses on disposal of property, plant and equipment	**10,149**	377,050
Unrealised fair value changes on derivative financial instruments	**1,048,881**	529,083
Realised gains on derivative financial instruments	**(272,488)**	(1,353,415)
Net foreign exchange (gains)/losses	**(6,247,012)**	2,749,748

10 INCOME TAX EXPENSE

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

	For the six months ended June 30,	
	2018	2017
	US$	*US$*
	(unaudited)	(audited)
Current income tax	**10,074,395**	9,716,841
Deferred income tax *(Note 21)*	**(755,466)**	(54,971)
Income tax expenses — net	**9,318,929**	9,661,870

(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 is 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 therefore a Hong Kong tax resident.

(iii) Hong Kong profits tax

The Company's subsidiaries including Bestway Enterprise Company Limited and Bestway (Hong Kong) International Limited are subject to Hong Kong profits tax. The applicable Hong Kong profit tax rate is 16.5% for the reporting periods.

(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 and entitled to enjoy a beneficial tax rate of 15% since 2016.

(v) 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 41%, during the reporting periods.

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.

11 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the net profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue for each six months ended June 30, 2018 and 2017.

	For the six months ended June 30,	
	2018	2017
	(unaudited)	(audited)
Profit attributable to the shareholders of the Company (US$)	**35,679,586**	34,955,056
Weighted average number of ordinary shares in issue	**1,058,391,000**	793,793,000
Basic earnings per share	**0.0337**	0.0440

(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.

	For the six months ended June 30,	
	2018	2017
	(unaudited)	(audited)
Profit attributable to the shareholders of the Company (US$)	**35,679,586**	34,955,056
Weighted average number of ordinary shares in issue	**1,058,391,000**	793,793,000
Adjustments for share options	**2,245,726**	–
	1,060,636,726	793,793,000
Diluted earnings per share	**0.0336**	0.0440

The number of ordinary shares outstanding before the capitalisation in 2017 is adjusted for the proportionate change in the number of ordinary shares outstanding as if the capitalisation had occurred at the beginning of the earliest period presented.

12 DIVIDENDS

A dividend of US$14,288,279 for the year ended December 31, 2017 was paid in June 2018 (2017: US$695,287). No dividends were declared or proposed during the current interim period (six months ended June 30, 2017: US$350,000 were declared and paid).

13 PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS AND INTANGIBLE ASSETS

	Property, plant and equipment *US$*	Land use rights *US$*	Intangible assets *US$*
For the six months ended June 30, 2018 (unaudited)			
Opening net book amount as at January 1, 2018	**223,818,719**	**25,273,107**	**567,649**
Currency translation differences	**(4,126,593)**	**(355,659)**	**(16,041)**
Additions	**36,961,743**	**13,377,034**	**570,312**
Disposals	**(1,127,195)**	**–**	**–**
Depreciation charge	**(8,047,316)**	**(361,312)**	**(150,575)**
Closing net book amount as at June 30, 2018	**247,479,358**	**37,933,170**	**971,345**
For the six months ended June 30, 2017 (audited)			
Opening net book amount as at January 1, 2017	139,402,105	15,695,242	420,112
Currency translation differences	3,730,348	443,724	13,591
Additions	43,150,673	5,858,951	38,175
Disposals	(393,861)	–	–
Depreciation charge	(5,929,491)	(208,684)	(34,513)
Closing net book amount as at June 30, 2017	179,959,774	21,789,233	437,365

14 TRADE RECEIVABLES

	As at	
	June 30, 2018 *US$* **(unaudited)**	December 31, 2017 *US$* (audited)
Trade receivables	**194,176,811**	141,137,998
Less: allowance for impairment of trade receivables	**(2,541,280)**	(1,530,345)
Trade receivables — net	**191,635,531**	139,607,653

The carrying amounts of trade receivables approximated their fair values as at the respective balance sheet dates.

As at December 31, 2017 and June 30, 2018, the aging analysis of the trade receivables based on invoice date is as follows:

	As at	
	June 30, 2018	December 31, 2017
	US$	*US$*
	(unaudited)	(audited)
Up to 3 months	**140,571,055**	124,163,349
4 to 6 months	**40,167,771**	7,769,424
7 to 12 months	**13,437,985**	9,205,225
	194,176,811	141,137,998

The credit terms granted to customers by the Group are normally 30 to 180 days.

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

	As at	
	June 30, 2018	December 31, 2017
	US$	*US$*
	(unaudited)	(audited)
US$	**156,854,361**	133,844,576
EUR	**21,300,612**	3,388,870
RMB	**16,020,280**	3,045,576
Other currencies	**1,558**	858,976
	194,176,811	141,137,998

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	June 30, 2018	December 31, 2017
	US$	*US$*
	(unaudited)	(audited)
Investment Fund	**17,022,691**	–
Wealth management products	**230,985**	1,149,620
	17,253,676	1,149,620

Financial assets at fair value through profit or loss are US$ and EUR denominated financial products. 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 gains/(losses) — net' in the consolidated statements of profit or loss.

16 SHARE CAPITAL AND SHARE PREMIUM

	Number of issued ordinary shares	Share capital *US$*	Share premium *US$*	Total *US$*
At January 1, 2018 and June 30, 2018	**1,058,391,000**	**1,355,633**	**140,636,893**	**141,992,526**
At January 1, 2017 and June 30, 2017	1,001	1	–	–

17 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 an employee at an exercise price of HK$3.028 per share. 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.

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

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

As approved by the Board meeting on March 20, 2018, 19,070,000 share options were granted to certain directors and employees at an exercise price of HK$4.346 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. These directors and employees 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 4,767,500 options are exercisable during the period from March 20, 2019 to March 20, 2023.

(b) The second tranche of 4,767,500 options are exercisable during the period from March 20, 2020 to March 20, 2023.

(c) The third tranche of 4,767,500 options are exercisable during the period from March 20, 2021 to March 20, 2023.

(d) The fourth tranche of 4,767,500 options are exercisable during the period from March 20, 2022 to March 20, 2023.

Movements in the number of share options outstanding and their related weighted average exercise prices for the period ended June 30, 2018 were as follows:

	2018		2017	
	Weighted average exercise price in HK$	**Number of options**	Weighted average exercise price in HK$	Number of options
At January 1	**3.028**	**10,000,000**	–	
Granted	**4.346**	**19,070,000**	3.028	10,000,000
At June 30	**3.893**	**29,070,000**	3.028	10,000,000

Share options outstanding as at June 30, 2018 have the following expiry dates and exercise prices:

Expiry date	**Exercise price**	**Number of options**
	HK$ per share	
December 18, 2022	3.028	10,000,000
March 20, 2023	4.346	19,070,000
		29,070,000

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 HK$28,954,106 (equivalent to US$3,695,482).

	Granted on December 18, 2017
Exercise price	HK$3.028
Expected volatility	37.63%
Expected dividend yield	3.17%
Risk free rate	1.56%

	Granted on March 20, 2018
Exercise price	HK$4.346
Expected volatility	37.41%
Expected dividend yield	2.51%
Risk free rate	1.682%

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 profit or loss during the period ended June 30, 2018 was approximately HK$5,032,463 (equivalent to US$642,627).

18 BORROWINGS

	As at June 30, 2018 US$ (unaudited)	As at December 31, 2017 US$ (audited)
Current		
Bank borrowings *(Note (a))*	**192,465,874**	157,830,554
Loans from a third party *(Note (b))*	**1,511,350**	–
	193,977,224	157,830,554

Movements in borrowings is analysed as follows:

	US$
For the six months ended June 30, 2018 (unaudited)	
Opening amount as at January 1, 2018	157,830,554
Proceeds of new borrowings	158,428,343
Repayments of borrowings	(133,579,236)
Currency translation differences	11,297,563
Closing amount as at June 30, 2018	193,977,224
For the six months ended June 30, 2017 (audited)	
Opening amount as at January 1, 2017	94,654,443
Proceeds of new borrowings	96,808,898
Repayments of borrowings	(57,473,954)
Currency translation differences	2,456,193
Closing amount as at June 30, 2017	136,445,580

(a) Bank borrowings

As at June 30, 2018, the secured bank borrowings were secured as follows:

(1) the bank borrowing amounting to EUR4,422,868, RMB98,000,000 and US$14,792,823 (equivalent to US$34,718,703) was secured by trade receivables amounting to EUR5,528,585, US$144,475,471 (equivalent to US$150,868,781);

(2) the bank borrowings amounting to RMB374,000,000 and US$24,791,463 (equivalent to US$81,315,962) were secured by buildings, land use rights and machinery and factory equipment with net book value of RMB322,052,949 (equivalent to US$48,673,480), RMB163,208,985 (equivalent to US$24,666,594), RMB9,501,463 (equivalent to US$1,436,004), respectively;

(3) the bank borrowings amounting to US$34,858,300 and RMB448,000,000 (approximately US$102,566,791) were guaranteed by subsidiaries of the Company.

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) and 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.

The Group has the following undrawn borrowing facilities:

	As at	
	June 30, 2018	December 31, 2017
	US$	*US$*
	(unaudited)	(audited)
Floating rate:		
— Expiring within one year	**21,478,421**	28,162,119
Fixed rate:		
— Expiring within one year	**254,604,135**	126,393,735
	276,082,556	154,555,854

(b) Loans from a third party

On May 10, 2018, a subsidiary of the Group entered into a new loan facility with a third party company. The total available amount under the facility is RMB30,000,000 (equivalent to US$4,534,051) of which RMB10,000,000 (equivalent to US$1,511,350) were drawn down as at June 30, 2018. The facility is repayable in three instalments, commencing May 9, 2019. The interest rate per annum is fixed at 4.35%.

19 TRADE PAYABLES

	As at June 30, 2018 US$ (unaudited)	December 31, 2017 US$ (audited)
Trade payables — third parties	**132,225,469**	154,661,624

As at June 30, 2018 and December 31, 2017, the aging analysis of the trade payables based on invoice date was as follows:

	As at June 30, 2018 US$ (unaudited)	December 31, 2017 US$ (audited)
Within 3 months	**120,459,746**	146,354,955
4 to 6 months	**6,693,845**	6,719,505
7 to 12 months	**4,753,092**	842,738
1–2 years	**318,786**	744,426
	132,225,469	154,661,624

20 DERIVATIVE FINANCIAL INSTRUMENTS

	As at June 30, 2018		December 31, 2017	
	Assets	**Liabilities**	Assets	Liabilities
	US$	***US$***	*US$*	*US$*
	(unaudited)	**(unaudited)**	(audited)	(audited)
Forward foreign exchange contracts *(Note (a))*	**288,410**	**976,265**	1,794,783	3,502,340
Foreign exchange — related options *(Note (b))*	**76,602**	**37,368**	–	–
	365,012	**1,013,633**	1,794,783	3,502,340

(a) The notional principal amounts of the forward foreign exchange contracts at June 30, 2018 and 2017 were US$56,389,000 and US$63,538,950, respectively.

(b) The notional principal amounts of the foreign exchange — related options at June 30, 2018 and 2017 were US$11,775,000 and nil, respectively.

21 DEFERRED INCOME TAX

Deferred income tax assets

	For the six months ended June 30,	
	2018	2017
	US$	*US$*
	(unaudited)	(audited)
Opening balance at January 1	**4,635,071**	3,867,306
Credited/(charged) to the condensed consolidated statement of profit or loss *(Note 10)*	**918,612**	(603,669)
Currency translation differences	**(156,262)**	33,659
Closing balance at June 30	**5,397,421**	3,297,296

Deferred income tax liabilities

	For the six months ended June 30,	
	2018	2017
	US$	*US$*
	(unaudited)	(audited)
Opening balance at January 1	**784,826**	1,825,273
Charged/(credited) to the condensed consolidated statement of profit or loss *(Note 10)*	**163,146**	(658,640)
Currency translation differences	**(9,245)**	5,779
Closing balance at June 30	**938,727**	1,172,412

22 RETIREMENT BENEFIT OBLIGATIONS

The table below outlines where the Group's post-retirement benefit obligations amounts and activity are included in the financial statements.

	As at	
	June 30, 2018	December 31, 2017
	US$	*US$*
	(unaudited)	(audited)
Liability for:		
— post-retirement benefit obligations	**367,478**	300,299

Statement of profit or loss charge included in operating profit for:

	For the six months ended June 30,	
	2018	2017
	US$	*US$*
	(unaudited)	(audited)
— post-retirement benefit obligations	**71,366**	37,306

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 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.

23 COMMITMENTS

(a) Capital commitments

The capital commitments of the Group as at the respectively balance sheet dates were as follows:

	As at	
	June 30, 2018	December 31, 2017
	US$	*US$*
	(unaudited)	(audited)
Contracted but not provided for property, plant and equipment	**40,509,235**	23,389,241

(b) Commitments under operating leases

As at June 30, 2018 and December 31, 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at	
	June 30, 2018	December 31, 2017
	(unaudited)	(audited)
	US$	*US$*
No later than 1 year	**2,092,452**	958,669
Later than 1 year and no later than 2 years	**768,968**	575,688
Later than 2 years and less than 3 years	**618,202**	96,000
	3,479,622	1,630,357

24 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 reporting periods, 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**
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
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

	For the six months ended June 30,	
	2018	2017
	US$	*US$*
	(unaudited)	(audited)
(i) Purchases from		
— Shanghai Shitong	**940,456**	751,380
— Shanghai Mingwei	**790,322**	371,018
— Nantong Jiemao	**658,390**	–
— Shanghai Jiufeng	**553,394**	497,718
— Shanghai Yaming	**513,710**	352,603
— Shanghai Kailiang	**–**	364,077
— Shanghai Jiemao	**–**	226,509
	3,456,272	2,563,305

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:

	For the six months ended June 30,	
	2018	2017
	US$	*US$*
	(unaudited)	(audited)
Salaries, bonus and other welfares	**1,225,762**	1,305,968

Discontinued transactions

	For the six months ended June 30,	
	2018	2017
	US$	*US$*
	(unaudited)	(audited)
(iii) Commission		
— Great Access	**–**	126,156

In accordance with the agreement signed on January 1, 2017, in return for the publicity and brand marketing service Great Access provided in Central and South America, Asia and Australia, a subsidiary of the Company agreed to pay certain commission charges to Great Access.

(b) Balances with related parties

(i) Amount due to related parties

	As at	
	June 30, 2018	December 31, 2017
	US$	*US$*
	(unaudited)	(audited)
Trade payables		
— Nantong Jiemao	**621,494**	607,151
— Shanghai Yaming	**410,332**	576,787
— Shanghai Shitong	**367,588**	524,719
— Shanghai Mingwei	**298,690**	412,590
— Shanghai Jiufeng	**234,186**	255,152
— Shanghai Jiemao	**–**	27,687
— Shanghai Kailiang	**–**	18,747
	1,932,290	2,422,833
Other payables		
— Anson Enterprise	**741**	741
	1,933,031	2,423,574

As at June 30, 2018 and December 31, 2017, the aging analysis of the above trade payables due to related parties based on invoice date was as follows:

	As at	
	June 30, 2018	December 31, 2017
	US$	*US$*
	(unaudited)	(audited)
Within 3 months	**1,885,503**	2,342,602
4 to 6 months	**46,787**	12,361
7 to 12 months	**–**	11,279
1–2 years	**–**	56,591
	1,932,290	2,422,833

25 CONTINGENCIES

As at June 30, 2018, there were four outstanding intellectual property rights claims against certain subsidiaries of the Group. 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. The Directors of the Group are in opinion that, these legal proceedings individually or in aggregate would not have material financial or operational adverse impact on the Group.

On July 13, 2018, the Group settled two intellectual property rights claims by compromising with the counterparty and paid settlement fees amounting to US$185,000 and the lawsuits thereby were terminated.

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

Achieved a record high half-year results

The Group achieved satisfactory financial results for the six months ended June 30, 2018, with its revenue reaching a record half-year high of US$525.1 million, representing an increase of 24.5% over the corresponding period in 2017. Meanwhile, as at June 30, 2018, the Group's net profits reached US$36.8 million, representing a period-on-period increase of 6.3%. The increase in revenue and profit was mainly attributable to the growth of the Group's business scale in various business sectors, as well as continuous upgrade of the existing products and promotion of new products.

Our Products

For the six months ended June 30, 2018, the Group recorded considerable revenue growth for the products of all four major product categories. The revenue of above-ground pools and portable spas reached US$235.0 million, representing an increase of 16.8% as compared to the corresponding period in 2017, which was mainly attributable to the further penetration of portable spas into the European and the North American markets. The revenue of recreation products reached US$110.1 million, representing an increase of 33.8% as compared to the corresponding period in 2017, which was mainly attributable to the huge success of FASHION FLOAT series, a trend-setting newcomer in the European and the North American markets. The revenue of sporting goods amounted to US$82.3 million, a 32.4% increase as compared to the corresponding period in 2017. The rapid growth in revenue of sporting goods was mainly attributable to the rising popularity of the Company's inflatable SUP made of the new DROP STITCH composite materials in the European and the North American markets. Finally, the revenue of camping products amounted to US$97.7 million, representing an increase of 28.6% over the corresponding period last year, was mainly attributable to the Company's fast-selling camping mattresses made of the new FORTECH, TRI-TECH composite materials. For the six months ended June 30, 2018, the Group further strengthened its branding strategy with BESTWAY as its core brand, complemented by a series of products from its sub-brands, such as LAY-Z-SPA, H2O GO!, HYDRO FORCE, COOLERZ and PAVILLO.

Our Geographic Regions

Europe

During the six months ended June 30, 2018, the Group maintained a formidable number one position in terms of market share in Europe, with a revenue of US$280.5 million, representing a period-on-period growth of 28.7%. The European market is an important region that contributes to the largest portion of the Group's revenue and is crucial to the Group's stable operation. For the six months ended June 30, 2018, the Group achieved relatively successful performance in terms of revenue in the European market in countries including the United Kingdom, France and Germany. In respect of performance of product categories in terms of revenue, sporting goods had an outstanding performance in Europe, enjoying an increase of 81.0% compared to the corresponding period in 2017. The Group continues to cultivate carefully our business in Europe and extend our sales network, and, in 2018, started to promote and sell products through popular third-party e-commerce platforms in various countries.

North America

The Group was able to keep its growth momentum in the North American market for the six months ended June 30, 2018. The Group optimized its product portfolio in the U.S. market and introduced more products tailored to the country; while enhancing profit margin, the Group was able to maintain a relatively quick growth pace. Particularly, the revenue experienced tremendous growth in the North American market from our corporation with e-commerce platforms, such as Amazon and Costco, and other new offline sports specialized retailers, such as Academy and Big 5, with which we are constantly exploring collaboration opportunities.

Recently, the U.S. government has imposed an additional 25% tariff on US$50 billion worth Chinese imported goods. In respect of product of the Group, such tariff is mainly applicable to certain independently sold accessories, such as filtration pumps and sand filtering pumps for pool, etc., amounting to less than 0.1% of the revenue of the Group for the six months ended June 30, 2018. Further, for North American market, the revenue for the six months ended June 30, 2018 increased by 28.6% as compared to the corresponding period in 2017. As such, the additional tariff imposed by the U.S. government did not have a material effect on the Group's business in North America region.

Asia Pacific

During the six months ended June 30, 2018, the Group realized rapid development in the Asia-pacific market with a revenue of US$29.5 million, representing a substantial increase of 22.2% over the corresponding period in 2017. The revenue generated from the China market amounted to US$17.5 million, representing a period-on-period increase of 66.0%. The Asia-pacific market, especially the China market, is another market with high capacity after Europe and North America, as well as the Group's region with the fastest business growth. Primary marketing channels for the China market include online e-commerce platforms and the Group's branded products are available on renowned e-commerce platforms such as JD.com, Tmall, Taobao, Xiaomi Youpin, etc.. In respect of marketing, the Group adopted a mixed promotion model through online platforms, such as WeChat, Weibo, Douyin, Red etc., and offline marketing, including events in water parks and resorts, organizing and sponsoring various sports contest/leisure activities, etc.. Products with better sales performance in the China market currently include small pools, recreation products and camping products, while portable spa and sporting goods have been gaining recognition from consumers.

Rest of the World

The revenue of the Group for the rest of the world during the six months ended June 30, 2018 amounted to US$33.1 million, representing a period-on-period decrease of 13.1%. The decrease was mainly attributable to the fact that most of the orders from certain countries will be shipped in the second half of the year. Nevertheless, it is expected that there will be a steady growth in revenue throughout the year. The Group will continue to maintain a leading position in the markets of Central and South America.

Product Innovations

The Group placed great importance to its product research and development ("**R&D**"). The R&D-related expenses for the six months ended June 30, 2018 amounted to US$8.0 million, representing 23.5% of the Group's total general and administrative expenses. It is a usual practice for the Group to enhance and phase out 20% to 25% of its product types in a new quarter, with a view to offering more innovative, appealing and practical outdoor leisure products to consumers. The 2019 sales year of the Group is the period between May 1, 2018 to April 30, 2019, which we mainly sell products listed in the 2019 Sales Catalogue. During the first three months of 2019 sales year, the value of orders from customers received by the Group has an increase of 15% to 20% as compared to the corresponding period in 2018 sales year. This was mainly attributable to the Group's strenuous effort in promoting our enhanced and brand-new products in 2019 sales year. Our enhanced products mainly included the innovative and distinctive FASHION FLOAT series, metal frame pools with windows and high-end fabric-covered airbed for households, etc.. As for our new products, the Group has launched three brand-new product series, namely (1) inflatable castle, (2) sledge and (3) swimming machine. The marketing and promotion effort for these new products has laid a solid foundation for a future continuous growth in sales for the Group.

Production Facility

The Group operates a vertically integrated business model with our product production, manufacturing and supply chain completed on our own. The Group's manufacturing sites are located in Shanghai, Rugao, Nantong, Yancheng and Haian, Nantong. Currently, the Group is mainly expanding the site in Rugao, Nantong (phase 2), and constructing the new site in Haian, Nantong. It is expected that the constructions in Rugao, Nantong (phase 2), and Haian, Nantong will be completed in late 2018 and the second quarter of 2019 respectively. The capital expenditure of the Group for the six months ended June 30, 2018 was US$51.5 million, which was mainly used for the aforementioned capacity expansion expense.

While expanding our capacity, the Group actively optimize our supply chain and logistic sessions. For the six months ended June 30, 2018, the Group closed the warehouses in Shanghai and relocated them to the site in Rugao, Nantong. All other warehouses will be relocated to the site in Rugao, Nantong progressively to improve logistic effectiveness and save costs. As for the warehouses in Shanghai, they will be transformed into industrial parks for leasing, which will bring the Group a stable rental income.

OUTLOOK

The Group is a global leading branded company for inflatable outdoor leisure products, ranked second in terms of global market share, amounting to 33%. In 2018, the Group will continue to maintain a positive growth momentum of orders and income, and to further increase our share in the global market. We will also maintain a rapid income expansion in emerging markets such as China, Southeast Asia and the Middle East. In respect of gross profit margin, the Group has made a significant upward adjustment on the prices of the products in 2019, which will offer a greater help to increase the gross profit margin in the second half of 2018. It is expected that the annual gross profit margin in 2018 will be similar to that in 2017.

FINANCIAL REVIEW

RESULTS OF OPERATIONS

	For the six months ended June 30, 2018 US$ (unaudited)	2017 US$ (audited)	Change (%)
Operating results			
Revenue	**525,102,625**	421,625,518	24.5%
Cost of sales	**(400,160,938)**	(304,202,444)	31.5%
Gross profit	**124,941,687**	117,423,074	6.4%
Net profit	**36,778,946**	34,604,931	6.3%
Key Ratios *(%)*			
Gross profit margin	**23.8%**	27.9%	(4.1%)
Net profit margin	**7.0%**	8.2%	(1.2%)
Gearing ratio[1]	**27.3%**	10.8%	16.5%

Note:

(1) Equals total net debt divided by total equity as of the respective financial period-end date. Total net 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 24.5% from US$421.6 million for the six months ended June 30, 2017 to US$525.1 million for the six months ended June 30, 2018. The increase in revenue was mainly attributable to the growth of the Group's business scale in various business sectors, as well as continuous upgrade of the existing products and promotion of new products.

We offer a variety of outdoor leisure products. We categorize our products into four core product groups and 17 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 periods indicated:

	For the six months ended June 30,				
	2018		2017		**2018 vs. 2017**
Product Group	***US$***	**%**	*US$*	%	**% Change**
	(unaudited)		(audited)		
Above-ground pools and Portable spas	**235,045,541**	**44.7%**	201,241,041	47.7%	16.8%
Recreation products	**110,081,717**	**21.0%**	82,246,456	19.5%	33.8%
Sporting goods	**82,261,701**	**15.7%**	62,151,295	14.8%	32.4%
Camping products	**97,713,666**	**18.6%**	75,986,726	18.0%	28.6%
Total	**525,102,625**	**100.0%**	421,625,518	100.0%	24.5%

The sales mix of our four core product groups remained relatively stable during the six months ended June 30, 2017 and 2018. The sales of our above-ground pools and portable spas presented a 16.8% growth during the period under review, mainly attributable to the further penetration of portable spas into the European and the North American markets. The revenue of recreation products reached US$110.1 million, representing an increase of 33.8% as compared to the corresponding period in 2017, which was mainly attributable to the huge success of FASHION FLOAT series, a trend-setting newcomer in the European and the North American markets. The revenue of sporting goods amounted to US$82.3 million, a 32.4% increase as compared to the corresponding period in 2017. The rapid growth in revenue of sporting goods was mainly attributable to the rising popularity of the Company's inflatable SUP made of the new DROP STITCH composite materials in the European and the North American markets. Finally, the revenue of camping products amounted to US$97.7 million, representing an increase of 28.6% over the corresponding period last year, was mainly attributable to the Company's fast-selling camping mattresses made of the new FORTECH, TRI-TECH composite materials. For the six months ended June 30, 2018, the Group further strengthened its branding strategy with BESTWAY as its core brand, complemented by a series of products from its sub-brands, such as LAY-Z-SPA, H2O GO!, HYDRO FORCE, COOLERZ and PAVILLO.

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

	For the six months ended June 30,				
	2018		2017		**2018 vs. 2017**
Geographic Region	***US$***	**%**	*US$*	%	**% Change**
	(unaudited)		(audited)		
Europe[1]	**280,539,437**	**53.4%**	217,920,572	51.7%	28.7%
North America[2]	**181,974,016**	**34.7%**	141,480,626	33.6%	28.6%
Asia Pacific[3]	**29,496,864**	**5.6%**	24,136,902	5.7%	22.2%
Including: Mainland China	**17,468,888**	**3.3%**	10,521,500	2.5%	66.0%
Rest of the world[4]	**33,092,308**	**6.3%**	38,087,418	9.0%	(13.1%)
Total	**525,102,625**	**100%**	421,625,518	100%	24.5%

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.

During the six months ended June 30, 2018, the Group maintained a formidable number one position in terms of market share in Europe, with a revenue of US$280.5 million, representing a period-on-period growth of 28.7%. The European market is an important region that contributes to the largest portion of the Group's revenue and is crucial to the Group's stable operation. The Group was also able to keep its growth momentum in the North American and Asia Pacific market for the six months ended June 30, 2018, with a period-on-period growth of 28.6% and 22.2%, respectively. In particular, the revenue generated from the China market amounted to US$17.5 million, representing a period-on-period increase of 66.0%, which was primarily due to (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, which represents 6.3% of the total sales, we recorded a period-on-period decrease of 13.1%. The decrease was mainly attributable to the fact that most of the orders from certain countries will be shipped in the second half of the year.

Cost of Sales

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

	Revenue		Cost of Sales		% of Change	
	For the six months ended June 30,					
	2018	2017	**2018**	2017	Revenue	Cost of Sales
	US$	*US$*	***US$***	*US$*		
	(unaudited)	(audited)	**(unaudited)**	(audited)		
Above-ground pools and portable spas	**235,045,541**	201,241,041	**181,809,517**	150,416,221	16.8%	20.9%
Recreation products	**110,081,717**	82,246,456	**85,555,705**	58,697,466	33.8%	45.8%
Sporting goods	**82,261,701**	62,151,295	**57,258,751**	41,044,042	32.4%	39.5%
Camping products	**97,713,666**	75,986,726	**75,536,965**	54,044,715	28.6%	39.8%
Total	**525,102,625**	421,625,518	**400,160,938**	304,202,444	24.5%	31.5%

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 31.5% from US$304.2 million for the six months ended June 30, 2017 to US$400.2 million for the six months ended June 30, 2018 and was 72.1% and 76.2% as a percentage of revenue for the six months ended June 30, 2017 and 2018, 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 6.4% from US$117.4 million for the six months ended June 30, 2017 to US$124.9 million for the same period in 2018. Our gross profit margin decreased from 27.9% for the six months ended June 30, 2017 to 23.8% for the same period in 2018. The 4.1% decrease in our gross profit margin was due to the difference in profit margin of products sold in the six months ended June 30, 2017 and 2018. For the six months ended June 30, 2017, the gross margin reflected the products sold during 2017 sales season ("**2017 Products**") while the gross margin for the six months ended June 30, 2018 reflected products sold during 2018 sales season ("**2018 Products**"). As compared to the 2017 Products, the profit margin of 2018 Products decreased given that (i) price of raw materials such as stainless steel and packaging paper for the 2018 Products increased, and (ii) there was an appreciation of Renminbi against the U.S. dollar; and the decrease of profit margin of the 2018 Products was slightly offset by the increase in selling price of the 2018 Products as compared to the 2017 Products.

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 six months ended June 30, 2017 and 2018, our selling and distribution expenses were US$43.3 million and US$54.4 million, respectively, representing 10.3% and 10.4% of our revenue and the ratio of which remained steady in these respective periods.

General and 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 six months ended June 30, 2017 and 2018, our administrative expenses were US$27.7 million and US$34.2 million. Our administrative expenses amounted to 6.6% and 6.5% of the revenue for the six months ended June 30, 2017 and 2018, 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$4.9 million from US$2.4 million for the six months ended June 30, 2017 to US$7.3 million for the six months ended June 30, 2018, primarily due the fact that we started to charge our certain suppliers and service providers for service fees on technical support provided by us, including (i) providing technology consultations, (ii) providing product design proposals, (iii) assisting with market expansion, (iv) enhancing sales services and (v) providing franchising opportunities.

Other Gains/(Losses) — Net

Our other losses of US$2.7 million for the six months ended June 30, 2017 reversed to other gains of US$5.7 million for the six months ended June 30, 2018. The significant increase was contributed by the net foreign exchange gains of US$6.2 million for the six months ended June 30, 2018 (June 30, 2017: net foreign exchange losses of US$2.7 million). While the average exchange rate of Renminbi against the U.S. dollar during the six months ended June 30, 2018 was higher than the six months ended June 30, 2017, the reverse from losses to gains was due to the impact of the gradual depreciation 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 during the six months ended June 30, 2018.

Operating Profit

Our operating profit increased by 7.1% from US$46.1 million for the six months ended June 30, 2017 to US$49.4 million for the six months ended June 30, 2018. The 7.1% increase in operating profit was higher than the 6.4% increase in gross profit, due to the US$11.1 million and US$6.5 million increase in selling and distribution expenses and administrative expenses, respectively, and was offset by the US$8.5 million and US$4.9 million increase in other gains/(losses)-net and other income, respectively.

Profit for the Period

Our net profit increased by 6.3% from US$34.6 million for the six months ended June 30, 2017 to US$36.8 million for the six months ended June 30, 2018.

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 six months ended June 30, 2017 and 2018, the net amount of finance expenses was US$1.8 million and US$3.3 million, respectively, representing 0.5% and 0.7% of total revenue, respectively.

Income Tax Expenses

Our income tax expenses decreased by 3.5% from US$9.7 million for the six months ended June 30, 2017 to US$9.3 million for the six months ended June 30, 2018. Our effective income tax rate decreased from 21.8% for the six months ended June 30, 2017 to 20.2% for the six months ended June 30, 2018. The decrease in effective income tax rate for the six months ended June 30, 2017 as compared to the six months ended June 30, 2018 was primarily because of regular fluctuation in taxable income in different tax regions.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our primary uses of cash for the six months ended June 30, 2018 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 proceeds from the Company's global initial public offering.

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.

Capital Expenditure and Capital Commitment

Capital expenditure for the six months ended June 30, 2018 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. For the six months ended June 30, 2018, 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 period under review:

	For the six months ended June 30,	
	2018	2017
	US$	*US$*
	(unaudited)	(audited)
Payments for property, plant and equipment	**48,236,440**	29,098,268
Payments for land use rights	**13,377,034**	5,858,951
Return of deposits for land use rights	**(10,695,909)**	–
Payments for other intangible assets	**570,312**	38,175
Total capital expenditures	**51,487,877**	34,995,394

Liquidity and Cash Flow

	For the six months ended June 30,		
	2018	2017	**Change**
	US$	*US$*	*US$*
	(unaudited)	(audited)	
Cash flow			
Net cash generated from operating activities	**22,587,527**	56,405,020	(33,817,493)
Net cash used in investing activities	**(68,072,341)**	(32,503,807)	(35,568,534)
Net cash generated from financing activities	**10,560,828**	38,639,657	(28,078,829)
Net (decrease)/increase in cash and cash equivalent	**(34,923,986)**	62,540,870	(97,464,856)
Current Assets and Current Liabilities			
Current Assets	**541,287,678**	543,275,985	(1,988,307)
Current Liabilities	**(407,489,986)**	(400,171,712)	(7,318,274)
Net Current Assets	**133,797,692**	143,104,273	(9,306,581)

The Group maintains a strong and healthy balance sheet. As of June 30, 2018, the gearing ratio was 27.3%, representing a 16.5% increase as compared with December 31, 2017 (Gearing ratio equals total net debt divided by total equity). Net current assets slightly decreased by 6.5% from US$143.1 million as of December 31, 2017 to US$133.8 million as of June 30, 2018. The US$9.3 million decrease in net current assets was primarily due to (i) a decrease in inventories by US$36.8 million, (ii) a decrease in cash and cash equivalent by US$34.9 million, (iii) an increase in bank borrowings by US$36.1 million. These were partially offset by (i) an increase in trade receivables by US$52.0 million and (ii) a decrease in trade payables by US$22.4 million.

The Group's net cash inflow from operating activities was US$22.6 million, consisting of US$54.7 million in net cash generated from operations before changes in working capital, net cash outflow of US$24.0 million relating to changes in working capital, income tax paid of US$4.2 million and interest paid of US$3.9 million. The decrease in net cash inflow generated from operating activities was mainly attributable to the change in working capital primarily due to the fact that we offered longer credit period (six months ended June 30, 2018: 30 to 180 days) to our customers in the general.

Borrowings

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

	As of	
	June 30, 2018	December 31, 2017
	US$	*US$*
	(unaudited)	(audited)
Bank borrowings		
Secured	**187,486,050**	157,804,962
Unsecured	**4,979,824**	25,592
Loans from third parties		
Secured	**1,511,350**	–
Total	**193,977,224**	157,830,554

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 June 30, 2018 and December 31, 2017, the weighted average effective interest rate of our borrowings was 4.11%, and 4.28% per annum, respectively. Our bank borrowings amounted to US$192.5 million and US$157.8 million as of June 30, 2018 and December 31, 2017, respectively.

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

	As of		
	June 30, 2018	December 31, 2017	**Change**
	US$	*US$*	***US$***
	(unaudited)	(audited)	
Within one year	**193,977,224**	157,830,554	36,146,670
Total	**193,977,224**	157,830,554	36,146,670

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:

	As of	
	June 30, 2018	December 31, 2017
	US$	*US$*
	(unaudited)	(audited)
Raw materials	**64,764,596**	57,138,713
Work-in-progress	**57,504,573**	77,889,519
Finished goods	**91,890,363**	115,934,151
Total	**214,159,532**	250,962,383

Our inventories decreased by US$36.8 million to US$214.1 million as of June 30, 2018, compared to December 31, 2017, primarily due to the effective production efficiency and inventory control measures we adopted.

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

	Six months ended June 30, 2018	Year ended December 31, 2017
Inventory turnover days [(1)]	**106**	140

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, and the inventory turnover days for a six-month period equals to the average of the beginning and ending inventory for that period divided by the cost of sales for that period and multiplied by 183 days.

Our inventory turnover days decreased from 140 days for the year ended December 31, 2017 to 106 days for the six months ended June 30, 2018, and the balance of inventories decreased from US$251.0 million for the year ended December 31, 2017 to US$214.2 million for the six months ended June 30, 2018. The decrease in inventory turnover days primarily due to the effective production efficiency and inventory control measures we adopted.

Trade Receivables

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

	Six months ended June 30, 2018 *US$* **(unaudited)**	Year ended December 31, 2017 *US$* (audited)
Trade receivables	**194,176,811**	141,137,998
Less: allowance for impairment of trade receivables	**(2,541,280)**	(1,530,345)
Total trade-nature receivables	**191,635,531**	139,607,653

Our trade receivables increased by 37.6% from US$141.1 million as of December 31, 2017 to US$194.2 million as of June 30, 2018 primarily due to the fact that (i) we offered longer credit period (six months ended June 30, 2018: 30 to 180 days) to our strategic partner customers and (ii) our peak season is from November each year to April of the next year and trade receivables for the six months ended June 30, 2018 represent trade receivables over our peak season.

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

	Six months ended June 30, 2018	Year ended December 31, 2017
Trade receivables turnover days [(1)]	**58**	59

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, and the trade receivables turnover days for a six-month period equals to the average of the beginning and ending balances of trade receivables for that period divided by revenue for that period and multiplied by 183 days.

Our trade receivables turnover days remained relatively stable at 59 days for the year ended December 31, 2017 and 58 days for the six months ended June 30, 2018.

Prepayments and Other Receivables

Our prepayments and other receivables decreased by US$8.1 million from US$48.8 million as of December 31, 2017 to US$40.7 million as of June 30, 2018, primarily due to the return of deposits of US$10.7 million for land use rights in Nantong and Haian.

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 decreased by 14.5% from US$154.7 million to US$132.2 million as of June 30, 2018.

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

	Six months ended June 30, 2018	Year ended December 31, 2017
Trade payables turnover days [(1)]	**66**	83

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 and the trade payables turnover days for a six-month period equals to the average of the beginning and ending trade payables for that period divided by cost of sales for that period and multiplied by 183 days.

Our trade payables turnover days decreased from 83 days for the year ended December 31, 2017 to 66 days for the six months ended June 30, 2018.

Other Payables and Accruals

Our other payables and accruals decreased by 18.9% from: US$76.8 million to US$62.3 million as of June 30, 2018 compared to December 31, 2017 mainly attributable to US$5.3 decrease in the payables for infrastructure construction.

EVENTS AFTER THE REPORTING PERIOD

There are no material events subsequent to June 30, 2018 which would materially affect the Group's operating and financial performance as at the date of this announcement.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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**") (the "**Stock Exchange**") and the Company has adopted the CG code as its own code of corporate governance.

The Board is of the view that the Company has complied with all the code provisions as set out in the CG Code during the six months period ended June 30, 2018, save for code provision A.2.1 of the CG Code.

The Company has appointed Mr. Zhu Qiang as both the chairman and the chief executive officer of the Company. 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.

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 FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 it own code of conduct regarding the transactions of securities of the Company by its Directors and the relevant employees who likely possess inside information of the Company. Specific enquiry has been made to all Directors and all of them have confirmed that they have complied with the Model Code for the period from January 1, 2018 to June 30, 2018.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, Mr. Lam Yiu Kin (Chairman), Mr. Dai Guoqiang and Mr. Yao Zhixian. The Group's interim results for the six months ended June 30, 2018 have been reviewed by all members of the Audit Committee.

USE OF PROCEEDS

The shares of the Company were listed on the Main Board of the Stock Exchange on November 16, 2017 (the "**Listing**"). 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 of the Company dated November 6, 2017 (the "**Prospectus**"). Utilized net proceeds as of June 30, 2018 amounted to HK$883.0 million (equivalent to approximately US$113.5 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 June 30, 2018, 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	40.5	12.0
Repayment of short-term bank borrowings	35%	49.7	48.8	0.9
Product development	9%	12.8	4.6	8.2
Marketing events	5%	7.1	6.0	1.1
Improvement of ERP system	5%	7.1	1.1	6.0
Working capital and other general corporate purposes	9%	12.8	12.5	0.3
Total	100%	142.0	113.5	28.5

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2018.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended June 30, 2018 will be despatched to the shareholders of the Company and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.bestwaycorp.com) in due course.

By Order of the Board
Bestway Global Holding Inc.
Zhu Qiang
Chairman and Chief Executive Officer

Hong Kong, August 16, 2018

As at the date of this announcement, the Board of the Company comprises Mr. Zhu Qiang as chairman and executive Director; Mr. Liu Feng, Mr. Tan Guozheng and Mr. Duan Kaifeng as executive Directors; and Mr. Dai Guoqiang, Mr. Lam Yiu Kin and Mr. Yao Zhixian as independent non-executive Directors.