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

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

2019 年報
ANNUAL REPORT

Stock code 股份代號: 3358

CONTENTS

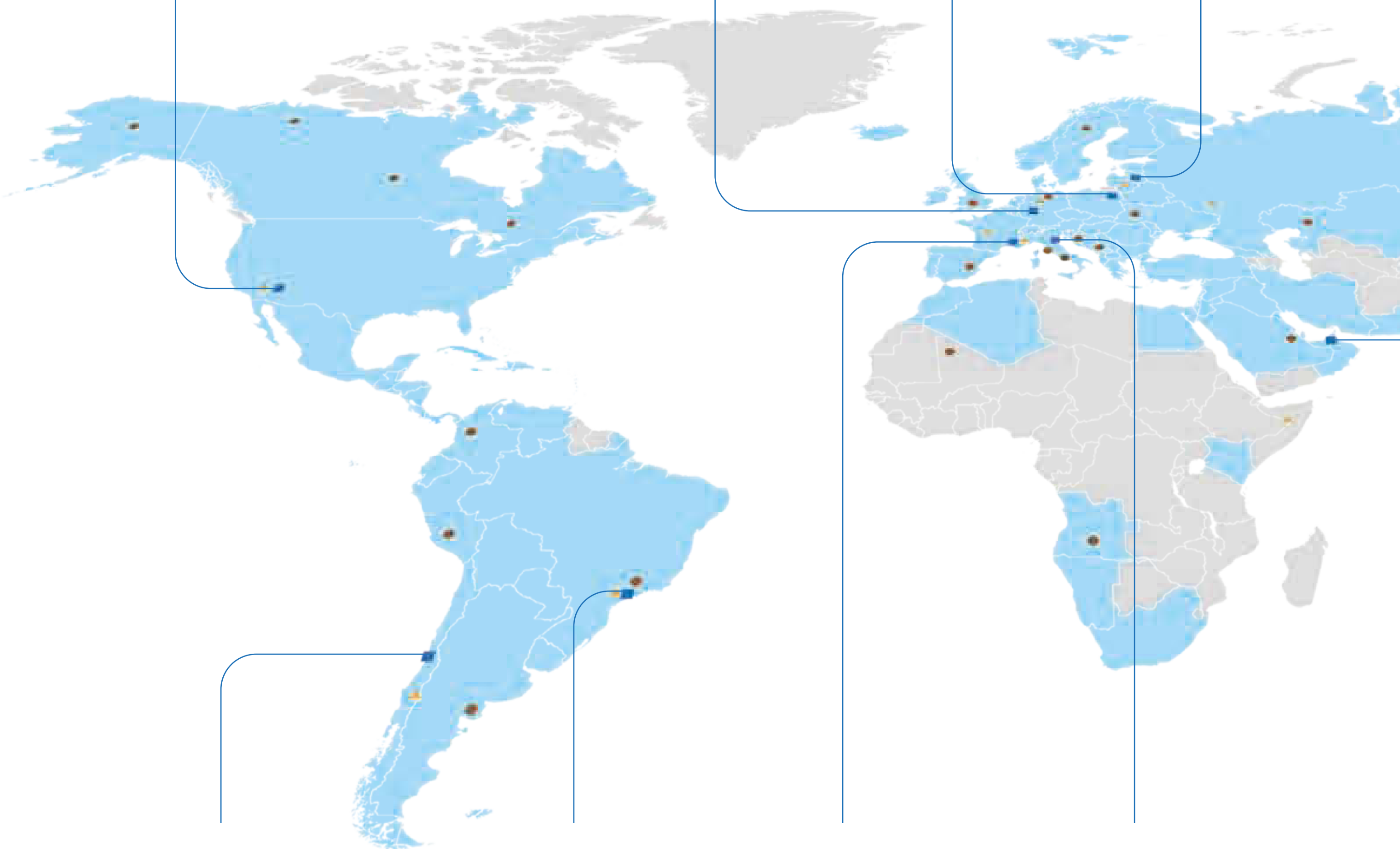
YOUR FUN IS OUR BUSINESS™

Phoenix, AZ, United States of America

Hamburg, Germany

Warszawa, Poland

St. Petersburg, Russia



Santiago, Chile

Sao Paulo, Brazil

Nice, France

Milano, Italy

Bestway has established promotional sales institutions in over 80 countries and has established 40 customer service centers worldwide in order to support our sales in more than 110 countries.

CORPORATE PROFILE

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

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

We predominantly design, develop, manufacture and sell an extensive range of high quality and innovative outdoor leisure products primarily under our own BESTWAY brand umbrella, in conjunction with a portfolio of sub-brands to market specific product series. We currently offer approximately 1,100 products across our four core product groups, including a comprehensive selection of Above-ground Pools and Portable Spas, Recreation Products, Sporting Products, and Camping Products, designed to cater to a wide range of consumer groups and geographic markets.

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

FINANCIAL HIGHLIGHTS

For the year ended December 31	2019 US$	2018 US$	Change (%)
Operating results			
Revenue from contracts with customers	**934,626,618**	865,281,075	8.0
Gross profit	**247,999,562**	230,568,288	7.6
Operating profit	**75,293,045**	64,854,360	16.1
Profit before income tax	**59,908,687**	55,346,897	8.2
Profit for the year	**47,575,906**	43,547,833	9.2
Profit attributable to shareholders of the Company	**44,715,005**	43,059,483	3.8
Financial position			
Net cash generated/(used in) from operating activities	**97,532,554**	(26,862,878)	N/A
Net cash used in investing activities	**(74,206,859)**	(121,140,640)	N/A
Net cash generated from financing activities	**4,143,785**	68,652,576	(94.0)
Net increase/(decrease) in cash and cash equivalents	**27,469,480**	(79,350,942)	N/A
Per share data (US cents)			
Earnings per share – Basic	**0.0422**	0.0407	3.7
Earnings per share – Diluted	**0.0422**	0.0406	3.9
Proposed final dividend per Share	**0.0084**	0.0123	(31.7)
Other data			
Capital expenditure	**73,879,535**	95,575,093	(22.7)
R&D expenditure[(1)]	**16,024,181**	15,019,149	6.7
Key ratios			
Gross profit margin	**26.5%**	26.6%	(0.1)[(3)]
Operating profit margin	**8.1%**	7.5%	0.6[(3)]
Net profit margin[(2)]	**5.1%**	5.0%	0.1[(3)]

Notes:

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

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

(3) These figures represent the change of percentage points..

CHAIRMAN'S STATEMENT

Dear Shareholders,

The Group is a global leading branded company for outdoor leisure products. During the year ended December 31, 2019 (the "**year under review**"), the Group maintained strong growth in its sales revenue. Despite increasing uncertainties in global economy and continuing trade disputes between China and the United States of America ("**U.S.**"), the Group performed well in terms of product sales in major regions, which reflected the Group's strong product research and development ("**R&D**") capabilities, large market share and strong influence.

RESULTS AND DIVIDEND

During the year under review, the Group's revenue amounted to approximately US$934.6 million, which was again record breaking, representing a year-on-year growth of 8.0%. The Group's gross profit margin remained relatively stable and decreased slightly from 26.6% in 2018 to 26.5% in 2019. The Group's net profit also recorded a satisfactory increase by 9.2% from US$43.5 million in 2018 to US$47.6 million in 2019, which was mainly due to the increase in sales volume brought by the strong demand for the Group's products, in particular Above-ground Pools & Portable Spas and Recreation Products, and our ability to maintain stable profitability. The Board has proposed a final dividend of approximately US$8.9 million, or US$0.0084 per Share (equivalent to approximately HK$0.0654 per Share), representing a dividend payout ratio of 20%.

BUSINESS REVIEW

In 2019, the Group further consolidated its leading market share in the world. Market share of the Group in the inflatable outdoor leisure products industry stood at over 35%, ranking the second in the world, the first in the European market and the second in the North America market and retaining a leading position in other emerging markets. In addition, the Group's global market share was closer to that of its biggest competitor as compared to 2018, which implied that we are having a more distinctive competitive advantage. Brand awareness and market penetration of products of the Group continued to rise in all major regions, which facilitated closer cooperation between the Group and its major customers (retailers) and e-commerce operators, and continuously enhanced user loyalty of the products.

Our Products

During the year under review, our four core product groups recorded a satisfactory overall sales growth. Above-ground Pools & Portable Spas demonstrated an outstanding performance with 20.5% growth, mainly attributable to the successful product promotion in Europe and the strong demand in European market driving such rapid growth. The sales of Recreation Products and Sporting Products remained flat, mainly attributable to the cooler weather in Mainland China and the air pollution brought by Australian bushfires. Such cooler weather in Mainland China and poorer air quality in Australia reduced people's incentive to engage in outdoor activities and hence lowered the demand for these products. As we derived a considerable portion of Camping Products' sales revenue from the U.S., the decrease of 5.1% in sales revenue of Camping Products was mainly caused by the uncertain demand in the market brought by the trade dispute between China and the U.S., leading to the decrease in orders placed by our clients.

Our vision is to create diversified experiences of fun for the people around the world, and we have been promoting such vision worldwide through our products and services since 1994.

Our Geographical Region

During the year under review, the Group maintained a positive growth momentum in certain major region. European market, the largest contributor of the Group's revenue, maintained a rapid growth rate of 22.3% in terms of revenue, which was higher than the market average as a result of the absolute leading position of the Group in the region. Due to the rapid growth of our subsidiaries in Europe, and the tremendous efforts spent in further differentiating the sales channels, the Group was able to provide a more refined local service in Europe gradually over the years, which was particularly appealing to the strong market demand in Germany and France. The brand new Portable Spas, brand new small- and medium- sized anti-rust frame pools are the best sellers of the Company and the sales of Mega Water Parks & Bouncers and Stand-up Paddleboards & Surf Boards maintained significant growth. The strong market demand was mainly driven by the hot weather in Europe as a whole, which brought the rapid revenue growth of the Group in European market. The Group's sales in the North America market experienced a marginal decrease by 4.1%. The trade dispute between China and the U.S. did affect the Group's business in North America but the Group endeavored to offset such negative impact by differentiating product promotion and increasing its market shares. The sales of main product lines of Above-ground Pools & Portable Spas demonstrated a slight increase while the sales of Mega Water Parks & Bouncers and Snow Tubes have recorded a speedy and strong growth as they opened up market access. In the Asia-Pacific region, the Group recorded a decline in sales by 11.9%. As people tend not to participate in outdoor activities in order to reduce the exposure to polluted air, the Australian bushfires did affect our sales. Further, the cooler weather recorded in Mainland China also discouraged people to purchase outdoor sport and recreation equipment. These two factors, when added together, have a negative influence to the Group's sales performance in Asia-Pacific region. As the situation of Australia has turned stable gradually and the business-to-customer sales in Mainland China has been further enhanced, a certain extent of recovery in the future is expected. In order to continuously expand our global sales presence, the Group has expanded its market coverage by integrating the operation and management of online sales channels, further increasing the promotion efforts of online sales, continuously introducing new products in the market as a trendsetter and widening the Company's indoor product lines.

Product Innovation

The Group's 2020 sales year (for the period from May 1, 2019 to April 30, 2020) began in May 2019. During the 2020 sales year, the Group paid more attention to further expanding sales channels by differentiating products and improving the promotion of new products to the markets, including: 1) optimizing domestic pools and Portable Spas products user experience; 2) developing intelligent control of outdoor and indoor products; 3) widening the application of new composite materials, such as TOUGH GUARD and TRITECH in inflatable leisure products. The Group places high expectations on such products, and is confident that they will become another group of popular products which can lead to considerable sales amount in the next few years. Orders received by the Group during the first two quarters of the 2020 sales year increased by 10-15% and 5-10% respectively as compared to the corresponding period of the 2019 sales year while the order received by the Group in the third quarter of the 2020 sales year decreased slightly by 0.1-5% as compared to the corresponding period of the 2019 sales year. Such positive order growth has laid a solid foundation for the Group's revenue growth in the 2020 financial year.

During the year under review, the Group made continuous investment in product innovation and material R&D, with R&D related costs reaching approximately US$16 million, which is approximately 6.7% higher than US$15 million of last year. As of December 2019, 226 patents had been obtained, and another 164 applications had been made, including invention patents and structural design patents. The application of new composite materials to inflatable indoor domestic products developed by the Group during the year 2019 was further improved in terms of production efficiency and capability, and command full scale production in 2020. For instance, the Indoor Air Mattresses, which were made of new composite materials, were well received by the market, presenting a huge growth potential.

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 in operation during the year under review are located in (i) Shanghai; (ii) Rugao, Nantong; (iii) Yancheng; and (iv) Haian, Nantong. The construction sites in Rugao, Nantong (phase 2) and Haian, Nantong were completed and the new facilities have started to operate at the end of 2018 and early 2019 respectively. The capital expenditure of the Group during the year of 2019 was US$73.9 million, which was mainly used for the aforementioned capacity expansion.

During the year under review, the Group further expanded the production capacity of the manufacturing site in Vietnam (phase 1), which covers 51,240 square meters of land and 35,000 square meters of factory. Phase 1 of our production facility in Vietnam, located in Long Jiang Industrial Park near Ho Chi Minh City, has already officially been in operation since January 2020, with an expected annual production capacity of about US$40 million. This production facility mainly produces Recreation Products and mattresses of our four core product groups.

The increase of the production capacity brought by the operation of new manufacturing sites enables the Group to fully meet the current rapid growth of sales orders of the Group.

OUTLOOK

Looking ahead into year 2020, the world is facing challenges such as the ongoing China-U.S. trade negotiations and recent outbreak of COVID-19 in China and worldwide. It is expected that we may achieve a relatively stable flow of revenue in the first half of 2020, mainly due to the impact of additional tariff imposed on our business in the U.S.. Our 2021 sales year (for the period from May 1, 2020 to April 30, 2021) will be kick-started in May 2020, and we remain optimistic. Currently, China has entered into Phase I Trade Agreement with the U.S., whereby the additional tariff that is currently affecting our products will be largely halved or reduced to zero. As a result, we may expect a better sales performance in the 2021 sales year. Certainly, the COVID-19 outbreak arouses concerns globally, the Company will continue to monitor its development closely. The Company will analyze and evaluate such impact to its sales performance from every aspect, and adjust its strategy to adapt to the new global market as and when necessary.

On the cost side, we will further optimize the structure of raw material suppliers and exercise effective control on the cost of raw materials procurement. We are able to better control our selling and marketing expenses given the relief of the additional tariff in the U.S. in 2020. We will further optimize our administrative expenses through economies of scales. In terms of foreign exchange, we have exercised strict internal control on the foreign exchange (FOREX) hedging policies and tools and will continue to maintain such practice.

In 2020, our R&D efforts on both in-house developed materials and innovative products will remain in full force. On materials, we will continue to upgrade new materials for TRITECH and FORTECH air mattresses; promote anti-freeze new materials; and develop proprietary patent of anti-erosion protection device for stainless steel Above-ground Pools. On product invention, we will continue to replenish and upgrade over 20% product offerings each year. In particular, our newly launched SWIMFINITY branded "Swim Trainers" is expected to further drive the business growth of our Above-ground Pools & Portable Spas. Our smart phone APP-controlled Indoor Air Mattresses are expected to create significant consumer demand as an alternative home furniture.

In 2020, we will continue to increase offline marketing channel penetration in mature markets such as Europe and North America. Our marketing efforts on e-commerce and social media are becoming more and more prominent and we are determined to demonstrate our drive and the overall market presence of our brand and products. We have established our official Facebook and Instagram accounts in lots of countries worldwide and will continue to obtain more fans and traffic on those social media platforms. We have also collaborated with global e-commerce operators such as Amazon and Tmall. We will further strengthen our relationship with renowned third-party e-commerce operators around the globe. Meanwhile, we will further promote the Group's own e-commerce channels in China and Europe.

In terms of manufacturing, our Vietnam factory has started production in January 2020 and is expected to produce around US$30 million products in 2020. We will monitor the production efficiency of the Vietnam facility closely and determine any future expansion plan. For our manufacturing facility in China, we have completed the facility expansion and expect much less capital expenditure for such facilities in 2020 and beyond.

Last but not least, I would like to extend my gratitude to our Directors, senior management and employees from all over the world for their relentless effort and contribution during the past year, which facilitated the Group's business growth. I also appreciate the faith and support given by our customers, suppliers and partners to the Group. The Group will continue to devote its efforts to create sustainable value for the shareholders of the Company (the "**Shareholders**").

Zhu Qiang
Chairman and Chief Executive Officer
Hong Kong, March 25, 2020

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

	For the year ended December 31,		
	2019	2018	**Change**
	US$	US$	**(%)**
Operating Results			
Revenue from contracts with customers	**934,626,618**	865,281,075	8.0
Cost of sales	**(686,627,056)**	(634,712,787)	8.2
Gross profit	**247,999,562**	230,568,288	7.6
Net profit	**47,575,906**	43,547,833	9.2
Net profit margin	**5.1%**	5.0%	0.1[2]

	As of December 31,		
	2019	2018	**Change**
Key Ratios (%)			
Gross profit margin	**26.5%**	26.6%	(0.1)[2]
Net profit margin	**5.1%**	5.0%	0.1[2]
Gearing ratio[1]	**42.1%**	48.1%	(6.0)[2]

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 less cash and cash equivalents and restricted cash.

(2) These figures represent the change of percentage points.

Revenue

The revenue of the Group rose by 8.0% from US$865.3 million for the year ended December 31, 2018 to US$934.6 million for the year ended December 31, 2019. For analysis regarding the growth in revenue of the Group, please see paragraphs headed "— Results of Operations — Geographic Region" and "— Results of Operations — Product Group" below.

Net profit

With the growth in the revenue and relatively stable gross profit margin of the Group, the net profit of the Group also increased by 9.2% from US$43.5 million for the year ended December 31, 2018 to US$47.6 million for the year ended December 31, 2019. The increase was due to the strong demand for the Group's products, in particular Above-ground Pools & Portable Spas and Recreation Products, driving the increase in sales volume and the Group's ability in maintaining a stable profitability.

Sales of the Group are mostly quoted and settled in US dollars. Approximately 40% of the sales proceeds received are directly used to pay external parties in US dollars, and approximately 60% of the sales proceeds received are converted to Renminbi. In respect of the 60% of sales proceeds received (in US dollars and would be converted to Renminbi after sales proceeds received) which was exposed to foreign exchange risk, we have taken the following internal control measures to reduce foreign exchange rate risk:

i. naturally hedge the foreign exchange rate risk by paying fees incurred through procurement of raw materials to the extent possible;

ii. on a daily basis, purchase one-year ordinary foreign exchange forward contract for the amount of daily average of up to 40% of the proceeds that we will receive in the next year (in US dollars) to dispersedly lock the foreign exchange rate continually; and

iii. set a global sales quotation (in US dollars) for the next sales year by using a fixed foreign exchange rate in June each year.

These measures can ensure that future foreign exchange rate fluctuations have minimal impact on our operating performance so as to ensure the continuous stability in our operating performance.

Product Group

We offer a variety of outdoor leisure products. We categorize our products into four core product groups and 20 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 and as a percentage of total revenue for the years indicated:

	For the year ended December 31,				
Product Group	**2019**		2018		**2019 vs. 2018**
	US$	**%**	US$	%	**% Change**
Above-ground Pools & Portable Spas	**449,551,889**	**48.1**	372,973,563	43.1	20.5
Recreation Products	**189,630,615**	**20.3**	187,474,819	21.7	1.1
Sporting Products	**119,304,285**	**12.8**	119,315,333	13.8	(0.0)
Camping Products	**176,139,829**	**18.8**	185,517,360	21.4	(5.1)
Total	**934,626,618**	**100.0**	865,281,075	100.0	8.0

The sales mix of our four core product groups recorded a satisfactory overall growth during the year ended December 31, 2019 in comparison to the year ended December 31, 2018. It is mainly due to the successful product promotion in Europe and the strong demand in European market driving such rapid growth, leading to a 20.5% rapid growth in terms of revenue in the Above-ground Pools & Portable Spas. The sales of Recreation Products and Sporting Products remained flat, mainly attributed to unfavorable environment in Mainland China and Australia for outdoor activities, leading to the decrease in demand in Asia Pacific Region. Decrease in revenue of Camping Products was due to the uncertain demand in the market brought by the trade dispute between China and the U.S., leading to the decrease in orders placed by our clients.

Geographic Region

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

Geographic Region	For the year ended December 31, 2019 US$	%	2018 US$	%	2019 vs. 2018 % Change
Europe[1]	**498,470,160**	**53.3**	407,570,231	47.1	22.3
North America[2]	**241,937,543**	**25.9**	252,149,607	29.1	(4.1)
Asia Pacific[3]	**71,180,049**	**7.6**	80,778,484	9.3	(11.9)
Including: Mainland China	**22,090,043**	**2.4**	26,242,170	3.0	(15.8)
Rest of the world[4]	**123,038,866**	**13.2**	124,782,753	14.5	(1.4)
Total	**934,626,618**	**100.0**	865,281,075	100.0	8.0

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 U.S., 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.

For the year ended December 31, 2019, our market share in the European market continued to increase, recording a rapid growth in terms of revenue of 22.3%, mainly due to (i) the further differentiation of sales channels; (ii) the provision of a more refined local service in Europe year after year; and (iii) hot weather as a whole in Europe. The brand new Portable Spas, small- and medium- sized anti-rust frame pools, Mega Water Parks & Bouncers and Stand-up Paddleboards & Surf Boards were well received by the market.

For the year ended December 31, 2019, revenue in North America decreased by 4.1%, mainly due to the discouragement of placing orders by our clients due to the trade dispute between China and the U.S. during the year. The Group has endeavored to offset such negative impact by differentiating product promotion and increasing its market shares. The sales of main product lines of Above-ground Pools & Portable Spas still demonstrated a slight increase while Mega Water Parks & Bouncers and Snow Tubes have recorded a speedy and strong growth.

Revenue in Asia Pacific also decreased by 11.9%, mainly due to the bushfires in Australia, which lowers people's incentive in engaging in outdoor activities. Besides, the decrease in revenue in Mainland China's market has recorded a 15.8% fall due to a cooler weather recorded. As the situation of Australia has turned stable and the business-to-customer sales in Mainland China has been further enhanced, a certain extent of recovery in the future is expected.

Revenue in the rest of the world also recorded a slight decrease, with a greater decrease in revenue from the countries in South America, such as Chile, due to political instability. However, such negative impact was offset generally by the successful promotion of new products, especially Mega Water Parks & Bouncers and Stand-up Paddleboards & Surf Boards.

Cost of Sales

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

	Revenue		Cost of Sales		2019 vs. 2018	
	For the year ended December 31,				% Change	
	2019	2018	**2019**	2018	Revenue	Cost of Sales
	US$	US$	**US$**	US$		
Above-ground Pools & Portable Spas	**449,551,889**	372,973,563	**332,061,534**	281,578,203	20.5	17.9
Recreation Products	**189,630,615**	187,474,819	**135,805,635**	131,544,324	1.1	3.2
Sporting Products	**119,304,285**	119,315,333	**79,642,957**	81,728,656	(0.0)	(2.6)
Camping Products	**176,139,829**	185,517,360	**139,116,930**	139,861,604	(5.1)	(0.5)
Total	**934,626,618**	865,281,075	**686,627,056**	634,712,787	8.0	8.2

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 8.2% from US$634.7 million for the year ended December 31, 2018 to US$686.6 million for the year ended December 31, 2019 and was 73.4% and 73.5% as a percentage of revenue for the years ended December 31, 2018 and 2019, 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 7.6% from US$230.6 million in 2018 to US$248.0 million in 2019. Our gross profit margin decreased from 26.6% in 2018 to 26.5% in 2019. The 0.1% decrease in our gross profit margin was resulted from (i) the stable sales price; (ii) an increase in gross profit due to the depreciation in the exchange rate of Renminbi; (iii) a slight increase in raw materials price; (iv) the increase in depreciation and amortization costs of production facilities which affects the level of gross profit.

Operating Profit and Operating Profit Margin

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of transportation expenses, service fees and commissions paid to our third-party regional relationship managers, wages and salaries, social welfare and benefits for our marketing and sales personnel, advertising and promotion expenses and after-sales services expenses. For the years ended December 31, 2018 and 2019, our selling and distribution expenses were US$84.4 million and US$106.2 million, respectively, representing 9.8% and 11.4% of our revenue in these respective periods. The increase of 25.7% in selling and distribution expenses proportion was resulted from: (i) an increase in marketing expenses for new products and new channels promotion expenses; (ii) an increase in one-off expenses for paying third-party patent rights; and (iii) an increase in logistics and incidental expenses due to an increase in business volumes which requires the Group to adopt Cost, Insurance and Freight terms. These initiatives aim at attracting market's attention and smoothening the logistics arrangement in transportation of goods internationally. The Group believes that these initiatives have laid a strong foundation for the Company's sales growth.

General and administrative Expenses

Our general and administrative expenses primarily consist of wages and salaries, social welfare and benefits for our administrative and management personnel, processing fee, R&D expenses, depreciation and amortization of our office and employees dormitories, maintenance and repair fees and rental expenses. For the years ended December 31, 2018 and 2019, our general and administrative expenses were US$70.7 million and US$75.2 million. Our general and administrative expenses amounted to 8.2% and 8.1% of the revenue for the years ended December 31, 2018 and 2019, respectively.

Other Income

Our other income decreased by US$3.0 million from US$17.8 million in 2018 to US$14.8 million in 2019, as we have collected marketing compensation from retailers of the Group's products in Mainland China in 2018. Such marketing compensation was not collected in 2019.

The rental income of a logistics center in Shanghai has brought to the Company a stable income of US$4.8 million in 2019.

Other gains/(losses)

Our other losses was US$21.1 million in 2018, and other gains was US$3.8 million in 2019. For further details, please see the analysis of foreign exchange risk in the paragraphs headed "— Results of Operations — Net profit".

Operating profit

Our operating profit increased by 16.1% from US$64.9 million for the year ended December 31, 2018 to US$75.3 million for the year ended December 31, 2019. The increase in operating profit is due to the growth in sales performance revenue and relatively stable gross profit margin of the Group.

Profit for the Year

Our profit for the year increased by 9.2% from US$43.5 million in 2018 to US$47.6 million in 2019. The increase was a result of an increase in sales volume, driven by the strong demand for the Group's products, in particular Above-ground Pools & Portable Spas and Recreation Products and our ability to maintain stable profitability.

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. For the years ended December 31, 2018 and 2019, the net amount of finance expenses was US$9.5 million and US$15.4 million, respectively, representing 1.1% and 1.6% of total revenue, respectively. The increase of finance expenses was primarily due to the increase in capital expenditure during the recent years which led to an increase in borrowings and interests paid for such borrowings for the capital expenditure.

Income Tax Expenses

Our income tax expenses increased by 4.5% from US$11.8 million in 2018 to US$12.3 million in 2019. Our effective income tax rate decreased from 21.3% in 2018 to 20.6% in 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our primary uses of cash in 2019 were to meet the working capital demand in our daily operating activities and pay for capital expenditure for expansion of production facilities.

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

Capital expenditure for the year ended December 31, 2019 mainly comprises expenditure on (i) property, plant and equipment related to the construction of manufacturing facilities in Nantong; and (ii) land use rights related to the expansion of our manufacturing facilities in Vietnam. In 2019, we funded our capital expenditures primarily with internally generated resources and borrowings. The table below shows a breakdown of the capital expenditure for the respective years:

	Year ended December 31,	
	2019	2018
	US$	US$
Payments for property, plant and equipment	**68,717,926**	92,054,703
Payments for land use rights	**–**	13,383,904
Payments for intangible assets	**118,878**	748,501
Payments for right-of-use assets	**5,042,731**	–
Prepayments for land use rights	**–**	(10,612,015)
Total Capital Expenditure	**73,879,535**	95,575,093

The capital expenditure of the Group decreased by 22.7% to US$73.9 million as of December 31, 2019 (2018: US$95.6 million), due to majority of the payment installments of construction expenses in respect of expansion of manufacturing facilities as the projects were completed in 2018. We plan to finance our capital commitments with bank borrowings and cash flows generated from operating activities.

Liquidity and Cash Flow

	For the year ended December 31,		
	2019	2018	**Change**
	US$	US$	US$
Cash flow			
Net cash generated from/(used in) operating activities	**97,532,554**	(26,862,878)	124,395,432
Net cash used in investing activities	**(74,206,859)**	(121,140,640)	46,933,781
Net cash generated from financing activities	**4,143,785**	68,652,576	(64,508,791)
Net increase/(decrease) in cash and cash equivalents	**27,469,480**	(79,350,942)	106,820,422

	As of December 31,		
	2019	2018	**Change**
	US$	US$	US$
Current Assets and Current Liabilities			
Current Assets	**605,308,898**	644,248,062	(38,939,164)
Current Liabilities	**(408,514,487)**	(537,759,007)	129,244,520
Net Current Assets	**196,794,411**	106,489,055	90,305,356

The Group maintains a strong and healthy balance sheet. As of December 31, 2019, the gearing ratio was 42.1%, representing a 6.0% decrease as compared with December 31, 2018 (gearing ratio equals to total net debt divided by total equity). Net current assets increased by 84.8% from US$106.5 million as of December 31, 2018 to US$196.8 million as of December 31, 2019. In contrast with the 25.6% decrease recorded in 2018, the 84.8% increase in net current assets recorded in 2019 was primarily due to a decrease in short-term borrowings.

The Group's net cash inflow from operating activities was US$97.5 million, representing an increase of US$124.4 million as compared to December 31, 2018 (2018: net cash outflow US$26.9 million). The increase in net cash inflow from operating activities was mainly attributed to an increase in profit and a decrease in both inventories and trade receivables given the greater efforts spent in collecting receivables.

Borrowings

The following table sets forth our interest bearing bank borrowings as of the dates indicated:

	As of December 31,	
	2019	2018
	US$	US$
Bank borrowings		
Secured	**129,721,784**	21,218,752
Short term bank borrowings		
Secured	**117,243,451**	213,454,391
Unsecured	**4,975,994**	2,923,700
Total	**251,941,229**	237,596,843

Our bank borrowings were primarily denominated in US dollars, Renminbi and Euro, and a majority of them were short-term borrowings that we entered into to finance our working capital. As of December 31, 2018 and 2019, the weighted average effective interest rate of our borrowings was 4.30% and 4.62% per annum, respectively. Our bank borrowings amounted to US$237.6 million and US$251.9 million as of December 31, 2018 and 2019, respectively. The increase was primarily due to the replenishment of working capital.

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

	As of December 31,		
	2019	2018	**Change**
	US$	US$	US$
Within one year	**139,959,769**	216,378,091	(76,418,322)
Over one year	**111,981,460**	21,218,752	90,762,708
Total	**251,941,229**	237,596,843	14,344,386

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 December 31,	
	2019	2018
	US$	US$
Raw materials	**37,003,761**	67,386,585
Work in progress	**79,001,219**	78,988,319
Finished goods	**188,900,560**	184,649,959
Total	**304,905,540**	331,024,863

Our inventories decreased by US$26.1 million to US$304.9 million as of December 31, 2019, compared to December 31, 2018, primarily due to the effective production efficiency and the adoption of inventory control measures. In particular, as of December 31, 2019, our raw materials inventories decreased from US$67.4 million to US$37.0 million mainly due to the decrease in PVC resin reserves, which in turn lowers the cost for storage of raw materials. This evidences our efforts spent in increasing cost-efficiency and optimizing production cost.

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

	For the year ended December 31,	
	2019	2018
Inventory turnover days[1]	**169**	167

Note:

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

Our inventory turnover days increased from 167 days in 2018 to 169 days in 2019, while the balance of inventories decreased from US$331.0 million in 2018 to US$304.9 million in 2019. The cost of sales also increased from US$634.7 million to US$686.6 million. These products are regular stocks and there is no risk of stagnate stocks. Our inventory turnover days remained relatively stable.

Trade Receivables

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

	As of December 31,	
	2019	2018
	US$	US$
Trade receivables	**195,013,276**	211,484,074
Less: allowance for impairment for trade receivables	**(4,596,918)**	(2,264,620)
Total trade receivables	**190,416,358**	209,219,454

Our trade receivables decreased by 9.0% from US$209.2 million as of December 31, 2018 to US$190.4 million as of December 31, 2019 primarily due to greater efforts in collecting receivables from clients that we devoted.

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

	For the year ended December 31,	
	2019	2018
Trade receivables turnover days[1]	**79**	74

Note:

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

Our trade receivables turnover days increased from 74 days in 2018 to 79 days in 2019. The increase was mainly due to our appropriate extension of credit period for certain strategic customers in support of their sales.

Prepayments and Other Receivables

Our prepayments and other receivables decreased from US$47.1 million as of December 31, 2018 to US$41.6 million as of December 31, 2019.

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 13.3% to US$159.7 million as of December 31, 2019, primarily due to the decrease in PVC resin reserves, which led to a decrease in inventories.

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

	For the year ended December 31,	
	2019	2018
Trade payables turnover days[1]	**91**	97

Note:

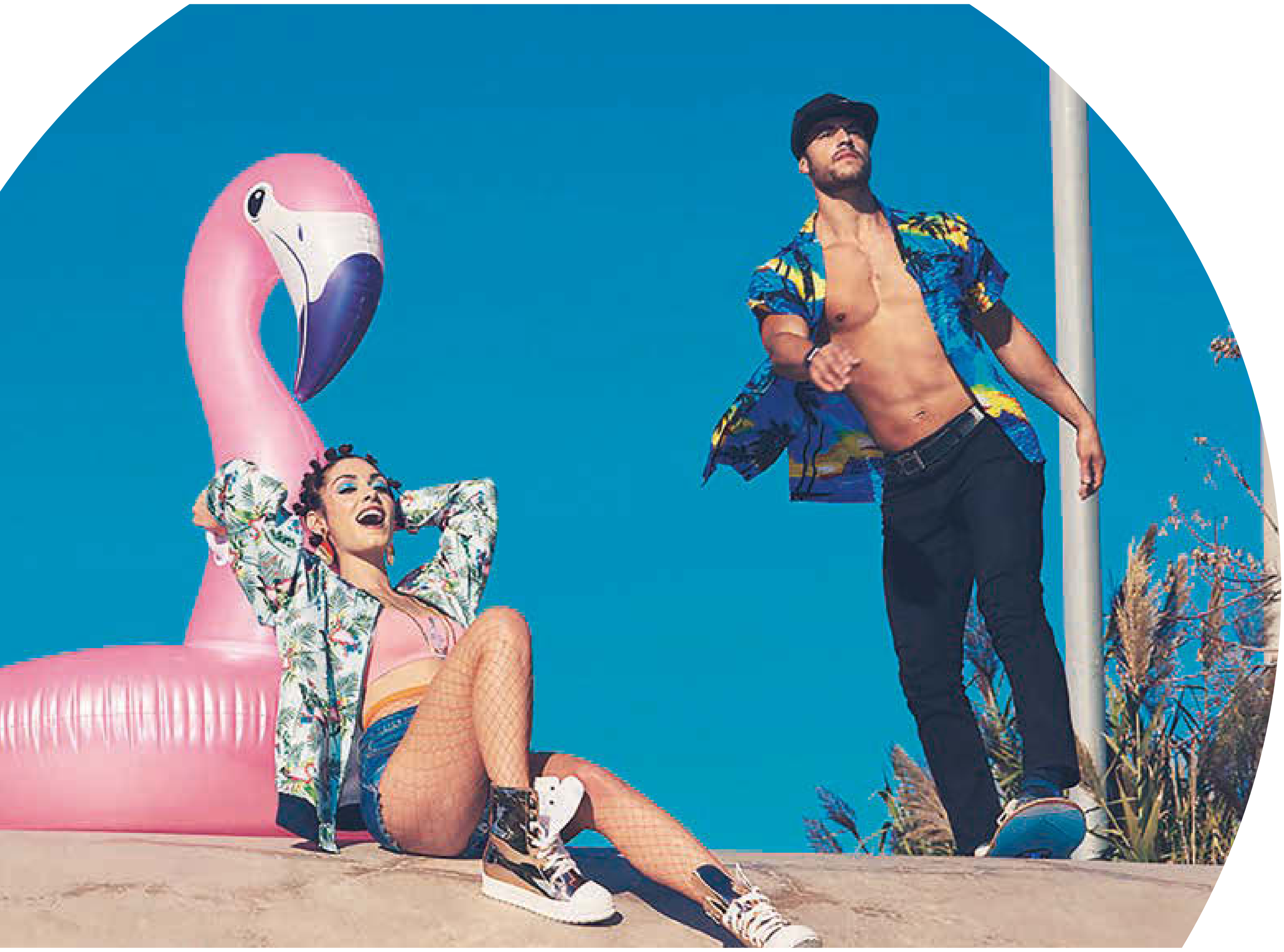
(1) Trade payables turnover days for each one year period equals the average of the beginning and ending trade payables for that year divided by cost of sales for that year and multiplied by 365 days.

The decrease of trade payables turnover days by 6 days was due to the decrease of trade payables paid to PVC suppliers who provided us with a longer credit terms. Therefore, the trade payables turnover days remained relatively stable compared with general credit terms provided by suppliers.

Other Payables and Accruals

Our other payables and accruals decreased significantly by US$27.3 million from US$108.1 million as of December 31, 2018 to US$80.8 million as of December 31, 2019, as we have completed the majority of payment for construction expenses of infrastructures due in respect of expansion of manufacturing facilities in 2018.

PRODUCTS OVERVIEW



"Bestway's professional team delivers innovative and high quality products to create diversified experiences of fun for everyone in the world."

OVER
35 %

- We operate in the outdoor leisure product industry with a global market size of US$200 billion
- We account for over 35% market share in the inflatable product segment of the global outdoor leisure product industry

NO. 1

- The largest portable Spa manufacturer in the world 2019

Bestway's professional team delivers innovative and high quality products to create diversified experiences of fun for everyone in the world.

- Bestway's products are sold to over 110 countries across 6 continents worldwide
- Among the 50 largest retailers in the world, we have established years of long-term operation with at least 20 of them

110
COUNTRIES

- In 2019, sales income increased by approximately 8% when compared to the same period in 2018

8 %
SALES INCOME INCREASED

132,999,713 units

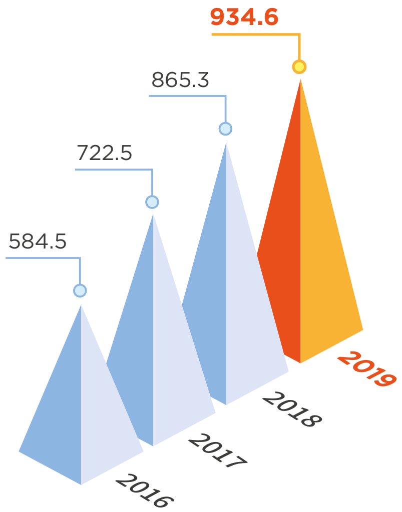
Bestway

Shipment of product amounted to 132,999,713 units in the 2019 financial year

Bestway

Product Revenue in The Last Four Years

US$ million

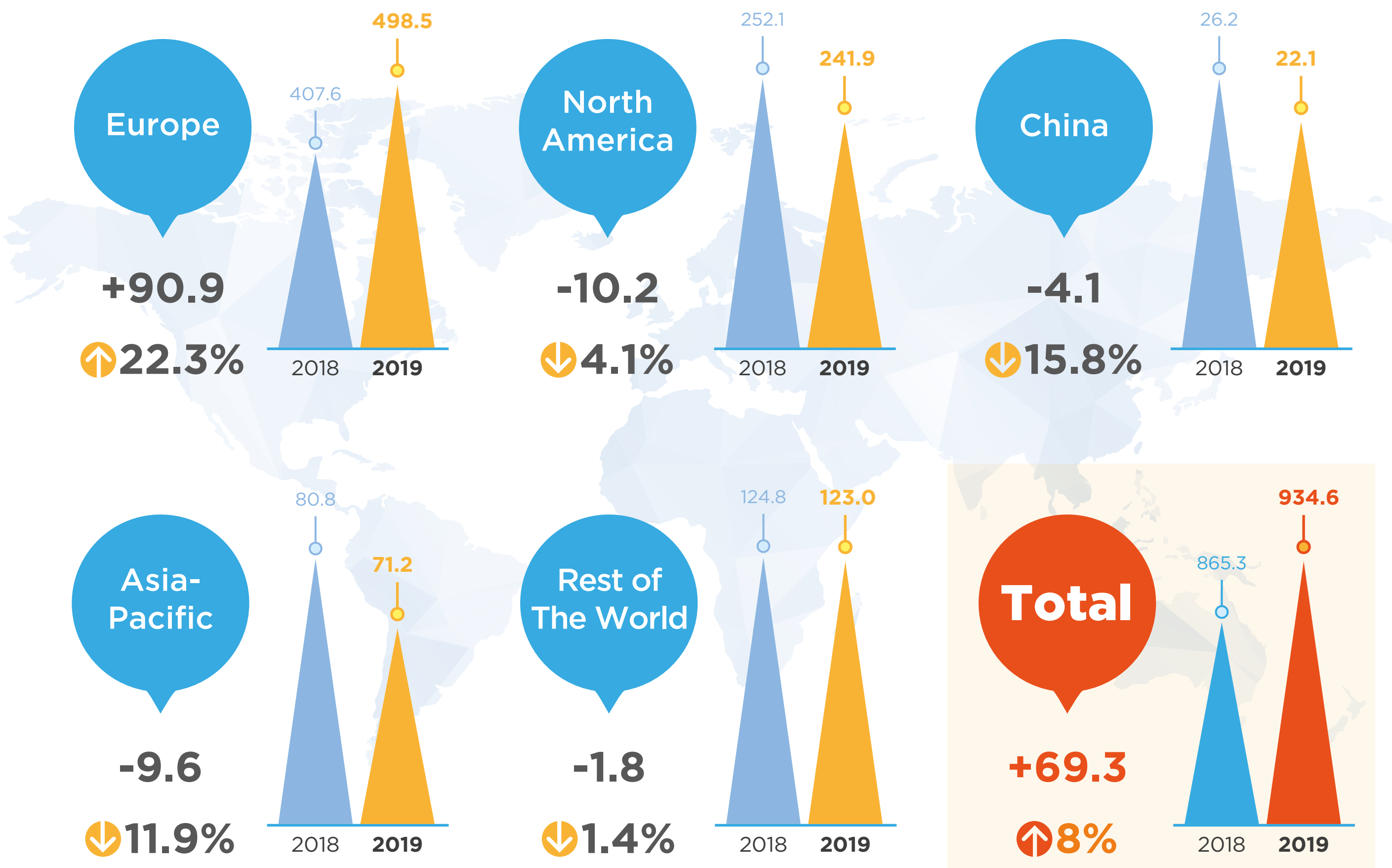


Percentage of Revenue from our Four Core Product Groups

REVENUE CONTRIBUTION FROM OUR FOUR SIGNATURE NEW PRODUCT GROUPS (SPAS, SUPS, WATER SLIDES AND FLOATING ISLANDS) **ACCOUNTED FOR 20% OF THE GROUP'S REVENUE**

Region Revenue in The World and Percentage Change for The Year

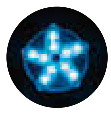
US$ million



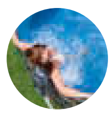
ABOVE-GROUND POOLS & PORTABLE SPAS

Classic Fast Set™ Pools, Above Ground Frame Pools, Pool Accessories, Spas & Accessories

Above Ground Oval Pool



Multi-colored LED light



Two built-in massage nozzles with easy-to-use control station

Lay-Z-Spa

Above Ground Round Pool

RECREATION PRODUCTS

Mega Water Parks & Bouncers, Water Toys, Grass Toys, Indoor Toys, Repair Patches

Play Center

Fashion Float

Mega Water Park

SPORTING PRODUCTS

Water Slides and Blobz, Stand-up Paddleboards & Surf Boards, Boats, Rafts & Kayaks, River Tubes, Lounges & Islands, Goggles, Masks, Fins & Snorkels, Swim Trainers, Snow Tubes, Air Pumps and Extras.

Snow Tube

Hydro Force™ Boat

Hydro Force™ SUP

CAMPING PRODUCTS

Air Furniture, Outdoor Air Mattresses, Indoor Air Mattresses,
Outdoor Camping Gear

Roll & Relax Camping Air Bed

Fortech Air Bed

Airframe™ Tent

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. REPORTING STANDARD, PERIOD AND SCOPE

This environmental, social and governance report (hereinafter referred to as "**ESG Report**") was prepared in compliance with the "Environmental, Social and Governance Reporting Guide" set out in Appendix 27 to the Listing Rules (the "**ESG Reporting Guide"**)**.** The purpose of this ESG Report is to help stakeholders to understand the environmental, social and governance ("**ESG**") policies, measures and performance of the Company beyond its financial results and business operation aspects.

This ESG Report describes the Company's progress in ESG during the period from January 1, 2019 to December 31, 2019 (the "**Reporting Period**"). The disclosure made in this ESG report covers the Company's principal places of production and business, which are the headquarters in Mainland China and four production bases in Jiading District in Shanghai, Rugao, Haian and Funing County in Jiangsu Province. The Company also has other offices outside of Mainland China, but these offices are not included in this ESG Report as the number of employees in these offices accounts for less than 2% of the total number of employees of the Company and do not engage in production activities.

II. OUR BACKGROUND

The headquarters of the Company is located in Shanghai and we have devoted our efforts to the R&D, manufacturing and sales of high quality and innovative outdoor leisure products. The Company currently offers approximately 1,100 exclusive products across four core product groups, including Above-ground Pools & Portable Spas, Recreation Products, Sporting Products and Camping Products.

Our four wholly-owned production bases cover a total area of more than 1.4 million square meters and a gross floor area of over 1.1 million square meters, which include manufacturing plants, material distribution centers, logistics warehouses, office buildings, product testing centers, staff quarters and other staff facilities.

Our manufacturing plants have comprehensive and refined management model, innovative R&D technical team, and rigorous product quality control systems during the manufacturing process. Through expanding and strengthening internal production capabilities, we produced high-value products with excellent quality. We believe that our production line can continuously enhance production, technology and management capabilities, improve production efficiency, reduce waste and costs, and therefore strictly maintaining product quality while minimizing product sales prices.

Furthermore, we guarantee that products are delivered to customers on time. We have established our brand sales channels in more than 80 countries worldwide. Our products can now be found in over 110 countries across six continents forming a global integrated R&D system and a worldwide marketing and product sales business model, while our inflatable outdoor leisure products accounted for more than 35% in the global market.

We have established facilities around the world including technology centers, central laboratories, quality inspection centers, vertically integrated manufacturing system and refined after-sales experience centers. In order to ensure customer satisfaction, all departments of the Company work closely together to continuously strengthen production capabilities and enhance value operation efficiency, and therefore meeting the needs of wide domestic consumer groups and the international markets.

"Create fun, lasting experiences for everyone through our products and services" is our vision through which the Company is committed to providing premium, safe and quality products of this industry, bringing our customers a pleasant shopping experience.

III. OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITMENT AND APPROACH

The Group acknowledges the significance of effective ESG initiatives at operational level and therefore attaches great importance to sustainable development. The direction of the Company's ESG work is led by the Board, and the management and external consultant are jointly responsible for assessing and identifying the risks and opportunities related to ESG affairs in order to formulate ESG management policies and effectively allocate the Company's resources and therefore ensure appropriate and effective operation of relevant risk management and internal control system.

The Group actively advocates the environmental concept of "Zero Pollution by being Friends of the Nature" ("0"污染、與自然為友), which strengthens environmental protection and reduces pollution brought to the environment. We believe that through contributing to and supporting sustainable development, a more sustainable future can be achieved.

IV. STAKEHOLDERS AND MATERIALITY ASSESSMENT

Stakeholders

The Group strives to accommodate views and interests of stakeholders (including Shareholders, customers, employees, suppliers, regulatory authorities and the public) through constructive communications with them to determine the direction of the Company's long-term development and maintain close relationships with stakeholders.

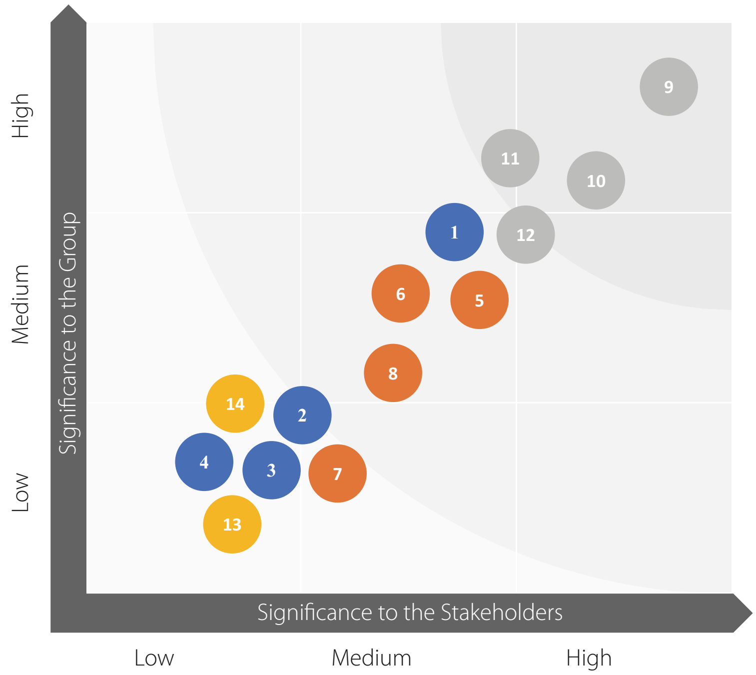
The stakeholder groups, their expectations and their typical communication channels with the Company are as follows:

Stakeholders	Expectations	Communication channels
Government and regulatory authorities	• Business development in compliance • Compliance with laws and regulations • Internal inspection • Occupational hygiene and safety in workplace	• Financial reports/announcements/notices • Direct communication via email and phone
Customers	• Product and service quality • Product safety and responsibility • Technology development • Market trends • Suitable suppliers	• Customers' visits • Satisfaction survey • Meetings and communications
Suppliers	• Regulatory compliance • Compliance with environmental standards and requirements • Respectful and fair procurement	• Evaluation survey • On-site visit • Supplier audit
Employees	• Training and career development • Wages and benefits • Working environment • Health and safety • Career development and opportunities	• Staff activities • Staff notice board • Regular staff memorandum • Direct communication with employees for their opinions • Staff training, seminars and briefings • Cultural activities such as team building

Stakeholders	Expectations	Communication channels
Shareholders and investors	• Return on investment • Information disclosure and transparency • Protection of Shareholders' rights and interests • Disclosure of relevant information in a timely and accurate manner • Enhancement of corporate governance • Action in accordance with laws and regulations • Anti-corruption	• Public information such as financial reports, announcements and notices • Email and phone inquiry on the Company • Information disclosure as a listed company • Roadshows/meeting/calls/conferences with investors/Shareholders • Phone/email inquiry • Site visit by investors • Information disclosure on the websites of the Stock Exchange and the Company
Local community, non-governmental organizations, potential clients and general public	• Employment opportunities • Ecological environment • Community development • Social consortium • Passion for public welfare • Charitable donation • Reduction of pollutant emission • Reduction of waste	• Charity activities • Community investment and services • Stakeholders participation • Environmental activities
Media	• Transparency of information • Good media relations	• Information disclosure on the websites of the Stock Exchange and the Company • Public information such as financial reports, announcements and notices

Materiality Assessment

During the Reporting Period, the Company collected various potential issues related to ESG after communicating with the stakeholders as mentioned above. We classified these issues into various aspects of the ESG Reporting Guide issued by the Stock Exchange and further gathered internal and external information on the Company on these issues from employees and external consultants. We arranged the management and employees from various departments of the Company to review the operation of the Company in terms of their functions, identified the relevant ESG issues which were then analyzed carefully by the Board and management. After assessing the materiality and relevance of these ESG issues to the Company, we have obtained the following materiality assessment results.



Environment
1. Compliance with environmental laws and regulations
2. Engagement in environmental protection
3. Controlling the emission of greenhouse gas
4. Waste management

Employees
5. Employee benefits
6. Occupational health and safety
7. Employee diversity
8. Employee training

Businesses
9. Product safety
10. Product quality
11. Intellectual property
12. Supply chain management

Community
13. Community contribution
14. Engagement in public welfare

Based on these results, the Company will continously improve its ESG performance in order to fulfill the expectations of its stakeholders and respond to the risks encountered by the Company. During the Reporting Period, the details of the work and key performance indicators as defined in the ESG Reporting Guide which are considered to be relevant and significant to the operation of the Group are discussed in four sections below, namely "Our Environment", "Our Employees", "Our Business" and "Our Community".

V. OUR ENVIRONMENT

During the Reporting Period, the Group was mainly involved in direct or indirect gas emissions by consumption of electricity, coal, water, unleaded petrol and diesel in the course of our production, and certain amount of solid wastes generated therefrom.

The Company complies with the requirements of local environmental laws and regulations, including but not limited to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護稅法》), the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》), the Air Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》) and the Prevention and Control of Environmental Pollution Caused by Solid Waste of the PRC (《中華人民共和國固體廢物污染環境防治法》).

The Group examines discharged sewage and waste gas as required by laws regularly to ensure the emission is in compliance with the standards. Hazardous chemical waste is handled by professional contractors with appropriate qualifications.

Aspect A1: Emission

Air and greenhouse gas emission

During 2018 and 2019, the Company's volumes of air emissions by types are shown below:

		2019		2018(note 3)	
Type	**Source**	**Emission Volume (tonnes)**	**Density(note 1) (kg)**	Emission Volume (tonnes)	Density(note 1) (kg)
Nitrogen oxides (NO_x)	• Boilers • Self-owned vehicles of the Company • RTO equipment for exhaust gas treatment	**60.46**	**0.21**	64.88	0.24
Sulphur oxides (SO_x)		**44.39**	**0.15**	54.17	0.20
Particulate Matters(note 2) (PM)		**7.62**	**0.03**	8.39	0.03

Note 1: Density is calculated as emission volume divided by number of products produced in the year.

Note 2: All the PM emission was the emission generated from consumption of fuel oil when using the Company's vehicles. Certain amounts of dust (i.e. PM) were also produced during the production process but after being filtered by a dust remover, such dust will almost be entirely filtered and not emitted out of the dust remover. As the amount of incidental scatter is unable to be counted, no such figure was shown in the table above.

Note 3: The figures for 2018 have been restated for comparison with the data for the current year.

Both our production process and canteen require the use of boilers. Boilers are run on energy sources including coal, diesel, biofuel, natural gas, etc. that generate certain amounts of pollutant. The emission volume of which depends on factors such as quality of the energy resources, types of boilers used and efficiency of de-dusting devices. In order to further reduce air emissions, the Funing County production base introduced natural gas boilers and RTO equipment for exhaust gas treatment to use natural gas as fuel in 2019. Nitrogen oxide emissions from the use of natural gas amounted to 0.29 tonnes, sulphur oxide emissions amounted to 0.07 tonnes and emissions of particulate matters amounted to 0.03 tonnes. No natural gas was used in 2018 while coal was no longer burnt in the Funing County production base since September 2019 and was replaced by biofuels. Rugao County production base also converted certain fuels into biofuels. Moreover, the density of air emissions in 2019 was lower than that of 2018, achieving the purpose of implementation of the above measures.

We select and procure energy supply through tendering, and conduct strict inspection and registration for each batch of energy resources. For instance, regarding coal purchases, while maintaining a certain level of heat value, we prefer coals with low sulphur content to reduce pollutant emissions. As the increase in emission volume was caused by the increase in production volume, the density had no change.

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

The breakdown of carbon dioxide equivalent ("**CO_2e**") of the Company during 2018 and 2019 by scopes of GHG emission is shown below:

(Unit: tonnes of CO_2e)(note 2)		2019		2018(note 4)	
Scope of GHG Emission	**Source**	**Emission Volume**	**Density(note 1)**	Emission Volume	Density(note 1)
Scope 1					
Direct emissions	• Consumption of coal • Acetylene • Biofuel • Consumption of unleaded petrol and diesel by self-owned vehicles • Natural gas • Refrigerant	**46,751**	**0.16**	36,375	0.13
Scope 2					
Indirect emissions	• Purchased electricity • Purchased steam	**123,231**	**0.42**	132,660	0.49
Scope 3					
Other indirect emissions	• Business flights • Water usage • Government sewage treatment • Waste paper disposal	**613**	**<0.01**	634	<0.01
Other scope(note 3)	• Biofuel	**4,142**	**0.01**	843	<0.01
Total		**174,737**	**0.60**	170,512	0.63
Removal	• Newly-planted trees for GHG removals	**5**	**Not Applicable**	3	Not Applicable
Total emission after removal:		**174,732**		170,509	

Note 1: Density is calculated as the total emission volume divided by number of products produced in the year.

Note 2: CO_2e (tonne) is a measurement unit with reference to the greenhouse effect caused by one tonne of carbon dioxide to measure and compare the greenhouse effect caused by different GHGs including carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O).

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

Note 4: The figures for 2018 have been restated for comparison with the data for the current year.

Our direct GHG emissions arise from various sources, of which the emissions from fixed sources including coals burnt in boilers, diesel, biofuel, natural gas and septic tanks amounted to approximately 31,924 tonnes (2018: 34,859 tonnes) of CO_2e in aggregate while natural gas is newly introduced for the Reporting Period, accounting for 323 tonnes of CO_2e, i.e. 1%, of emissions from fixed source. GHG emission from mobile sources, including, among others, consumption of unleaded petrol and diesel by self-owned vehicles amounted to approximately 1,440 tonnes (2018: 1,516 tonnes) of CO_2e in aggregate, representing a year-on-year decrease of 5%. Through continuous improvement of ESG collection methods, the emissions from direct greenhouse gas due to refrigerant for the Reporting Period amounted to 13,387 tonnes of CO_2e.

The GHG emission during the Reporting Period was mainly indirect emissions generated from purchased energy including electricity and heat energy (steam), and decreased by approximately 9,429 tonnes of CO_2e, i.e. 7%, as compared to last year. Despite the increase in production volume, we regarded emission reduction as our key goal, and utilized the energy-saving air compressors and modified the energy-saving lighting and motors to further reduce our energy consumption.

Other indirect GHG emissions amounted to approximately 613 tonnes (2018: 634 tonnes), including greenhouse gas emission from flight due to employees' business trips, usage of water and discharge treatment, waste paper treatment, etc. conducted by municipal governments, representing a year-on-year decrease of approximately 3%. We replaced water-saving faucets and substituted water-saving stools and toilets with sensor-type flushing valves that minimized the water consumption.

GHG emission in other aspects amounted to approximately 4,142 tonnes (2018: 843 tonnes) of CO_2e, attributable to direct CO_2e emission due to use of biofuel. As mentioned above, Funing County production base no longer burnt coal since September 2019 and replaced by biofuels while Rugao County production base converted certain fuels to biofuels, the emission was, therefore, significantly different from 2018.

The Company pays great attention to environmental protection and has adopted electronic office system to reduce paper consumption and unnecessary business trip. During the Reporting Period, we have generated approximately 5,401 MWh (2018: 2,099 MWh) electricity through solar energy, thereby reducing indirect carbon emissions by approximately 4,367 tonnes (2018: 1,697 tonnes) of CO_2e. In addition, we also planted 234 (2018: 144) new trees which reduced approximately 5 tonnes (2018: 3 tonnes) of GHG emission in aggregate.

Furthermore, the Company has adopted several energy-saving measures to reduce indirect GHG emission, such as using heat insulating materials for production plants to reduce the use of air conditioner and using air conditioner in strict compliance with the requirement and conditions in respect of use of air conditioner to reduce waste.

Hazardous waste

During 2018 and 2019, the Company's discharge volume of hazardous waste by types is shown below:

(Unit: kg)	2019		2018(note 2)	
Type of Hazardous Waste	**Discharge Volume**	**Density(note 1)**	Discharge Volume	Density(note 1)
Waste ink barrels	**51,040**	**0.18**	52,680	0.20
Waste iron barrels	**7,100**	**0.02**	93,470	0.35
Waste activated carbon	**3,700**	**0.01**	3,000	0.01

Note 1: Density is calculated as total discharge volume divided by number of products produced in the year.

Note 2: The figures for 2018 have been restated for comparison with the data for the current year.

The waste ink barrels generated during the Reporting Period decreased by approximately 1,640 kg, i.e. 3%, as compared to last year, which was due to partial recycling by original manufacturers and the change of packaging to large packaging barrels. As for waste iron barrels, the consumption reduced by 86 tonnes, i.e. 92%, which was attributable to the replacement of iron barrels for containing soybean oil materials by suppliers' canned delivery.

The Company has set up a specific site for collection and reservation of hazardous waste and engaged professional competent contractors for the treatment of hazardous waste in accordance with the national requirements. The Company actively implemented good environmental concept in order to strengthen environmental protection by reducing pollution to the environment.

Non-hazardous waste

During 2018 and 2019, the Company's discharge volume of non-hazardous waste by types is shown below:

	2019		2018(note 3)	
Type of Non-hazardous Waste(note 2)	**Discharge Volume (tonnes)**	**Density(note 1) (kg)**	Discharge Volume (tonnes)	Density(note 1) (kg)
Waste wood	**1,813**	**6.25**	1,241	4.60
Waste papers	**1,906**	**6.57**	1,559	5.77
Waste pipes	**440**	**1.52**	609	2.26
Waste bulk bags	**236**	**0.81**	253	0.94
Scrap metals	**172**	**0.59**	391	1.45
Waste iron	**193**	**0.67**	263	0.97
PE film	**231**	**0.80**	256	0.95
Others(note 2)	**37**	**0.13**	41	0.15
Total	**5,028**		4,613	

Note 1: Density is calculated as discharge volume divided by number of products produced in the year.

Note 2: Other non-hazardous waste of 100 tonnes or below.

Note 3: The figures for 2018 have been restated for comparison with the data for the current year.

Non-hazardous waste like waste wood, waste papers and other non-metallic materials produced by us amounted to approximately 5,028 tonnes (2018: 4,613 tonnes) in aggregate during the Reporting Period. This was mainly due to an increase in the utilization of packaging raw materials resulting from the increase in production volume. We have implemented certain measures to reduce the amount of other waste, such as replacing PVC pipes with steel pipes, utilizing large packaging for waste bulk bags, to minimize the production of non-hazardous waste. In addition, during the Reporting Period, we successfully applied divestiture to the mesh waste, reused PVC waste while selling and disposing of waste mesh.

The Group adheres to the policy of energy conservation and emission reduction of "reducing consumption, reusing, recycling and replacing". The Company adopts waste sorting mechanism where hazard-free household waste is sorted before collected by Environmental Protection Bureau. We reuse the waste as much as we can or send them to recycling units for upcycling. We advocate the use of double-sided photocopying and printing to foster a paperless workplace.

The Company has managed different wastes separately to maximize waste recycling or sell the waste to professional recycling company for treatment. Domestic waste is handled by specific environment and health units while ordinary industrial solid waste is handled by professional units in accordance with the relevant requirements.

Aspect A2: Use of Energy and Resources

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

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

Energy

The annual energy consumption of the Company during 2018 and 2019 is shown below:

		2019		2018 (note 3)	
Type of Energy	**Unit**	**Consumption**	**Density (note 1)**	Consumption	Density (note 1)
Electricity	MWh	**151,672**	**0.52**	156,438	0.58
Including:					
External generation	MWh	**146,271**	**0.50**	154,339	0.57
Internal generation (note 2)	MWh	**5,401**	**0.02**	2,099	0.01
Natural gas	cubic meters	**133,804**	**0.46**	–	–
Steam	tonnes	**18,420**	**0.06**	29,378	0.11
Acetylene	litre	**43,280**	**0.15**	43,440	0.16
Coal	tonnes	**13,005**	**0.04**	14,292	0.05
Diesel oil	tonnes	**427**	**<0.01**	544	<0.01
Gasoline	tonnes	**93**	**<0.01**	90	<0.01
Biofuel	tonnes	**2,818**	**0.01**	573	<0.01

Note 1: Density is calculated as consumption divided by number of products produced in the year.

Note 2: Method of internal generation: solar energy.

Note 3: The figures for 2018 have been restated for comparison with the data for the current year.

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

We did not use natural gas boilers in 2018, and the consumption of other energy (excluding steam and biofuels) has decreased as compared with 2018.

Water resources

The Company utilizes tap water from municipal network water supply for both domestic and production purposes and has obtained satisfactory results in regular inspection of water quality each year. Waste water is discharged into the municipal drainage and treated in water treatment plant without direct discharge to water and land. The Company encourages its staff to conserve water and avoid waste. The Company has also implemented a number of water-saving measures, such as water recycling, promotion of water preservation at water sources and regular inspection, and conducts daily analysis in respect to irregularities of water and electricity consumption record.

The annual water consumption of the Company during 2018 and 2019 is shown below:

Year	2019	2018(note 2)
Total water consumption (tonnes)	**744,577**	789,264
Density(note 1) (tonnes)	**2.57**	2.93

Note 1: Density is calculated as consumption divided by number of products produced in the year.
Note 2: The figures for 2018 have been restated for comparison with the data for the current year.

The water consumption during the Reporting Period decreased by 6%, i.e. 44,687 tonnes as compared to that of 2018, which was due to the replacement of water-saving faucets and substitution of water-saving stools and toilets with automatic flushing valves mentioned above, which have achieved satisfactory results.

Packaging materials

The consumption of packaging materials of the Company during 2018 and 2019 is shown below:

(Unit: tonnes)	2019		2018(note 2)	
Type	Consumption	Density(note 1)	Consumption	Density(note 1)
Carton box	**28,861**	**0.10**	26,000	0.10
Plastics	**1,217**	**<0.01**	1,575	0.01
Total	**30,078**		27,575	

Note 1: Density is calculated as consumption divided by number of products produced in the year.
Note 2: The figures for 2018 have been restated for comparison with the data for the current year.

Products of the Company require a substantial amount of packaging materials, including carton box, adhesive label, packaging box, stretch wrap, etc. The consumption of carton boxes during the Reporting Period increased by 2,861 tonnes, i.e. 11% as compared to last year, which was mainly due to the corresponding increase in consumption of carton boxes driven by the increase in production volume. Moreover, the growth of sales in bulk products such as Above-ground Pools & Portable Spas during the Reporing Period was relatively high, accounting for significant packaging usage. In addition, certain products changed from blister packaging to carton box packaging, which reduced the plastic packaging material but increased the use of carton boxes.

Aspect A3: Environment and Natural Resources

"Happy Employees, Happy World and Happy Consumers" is the foundation of our corporate value. The Company has established a comprehensive environment management system. We always select and adopt environment-friendly materials, operating structure and principles in aspects of R&D, manufacturing and logistics. We apply a dynamic cycle of PDCA (plan-do-check-act) to improve the results of our environmental efforts continuously.

The Company's business activities have not generated any significant negative impacts on the environment and natural resources. In contrast, the Company conducts integrated planning for its production sites to establish reasonable layouts and put emphasis on building green areas in the sites, planting 234 (2018: 144) new trees in 2019, which had brought positive impact to the ecological environment. Waste water and gas go through treatment processes by specific equipment and are only discharged after satisfying certain standards. Sound-proofing measures and de-dusting process are taken to insulate noises and dusts. In order to observe our commitments under laws and regulations relating to environment and other requirements, the Company conducts annual inspection and regular assessment to ensure satisfaction of quality and compliance.

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

VI. OUR EMPLOYEES

Aspect B1: Employment

The Company treats employees as important strategic resources for development. During the Reporting Period, the Company strictly complied with related requirements of laws and regulations, such as the Labour Law of the PRC (《中華人民共和國勞動法》) and Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), in order to protect the legitimate interests of employees, improve employees' benefits continuously and boost employees' sense of belonging.

We strive to create a friendly and positive environment to enhance employees' passion and loyalty to the Company. During the recruitment and selection process, the Company has always adhered to the equal opportunity policy and has formulated the Employee Recruitment Procedures to standardize the recruitment and employment procedures with an aim to guarantee the transparency, clearness and efficiency of recruitment process while the Provisions on Signing Labour Contracts protect both the interests of the Company and employees.

Regarding transfer and salary adjustment, the Company has formulated the Procedures for Transfer, Adjustment of Salaries and Work Tasks which stipulated clear procedures. In terms of promotion, the Company has formulated the Provisions on Employee Behaviour Assessment to focus on daily behaviours of our employees. Through behavioural assessment, we aim to simulate employees' initiative in all aspects of business, administration, fire safety, production safety and quality, and maintain and promote a healthy working atmosphere as the basis for annual employee assessment. In addition, the performance evaluation is conducted in accordance with the Provisions on the Comprehensive Assessment of Monthly Performance Capability. Working performance, attitudes, management concepts and comprehensive working capabilities of the employees are objectively evaluated by comprehensive performance capability appraisal of employees so as to identify employees' shortcomings at work in a timely manner and help them to enhance their capabilities purposefully.

The Company strictly complies with relevant requirement of the Labor Law to safeguard the leave and holiday entitlement of its employees. It has also formulated Management Procedures for Working Hours and Holidays, implemented an 8-hour working system and made reasonable rest day arrangement for employees based on the production seasonality of the Company. Employees are entitled to statutory holidays, annual leave and marriage leave, bereavement leave, maternity leave and nursing leave as required by China, during which employees are entitled to full wages.

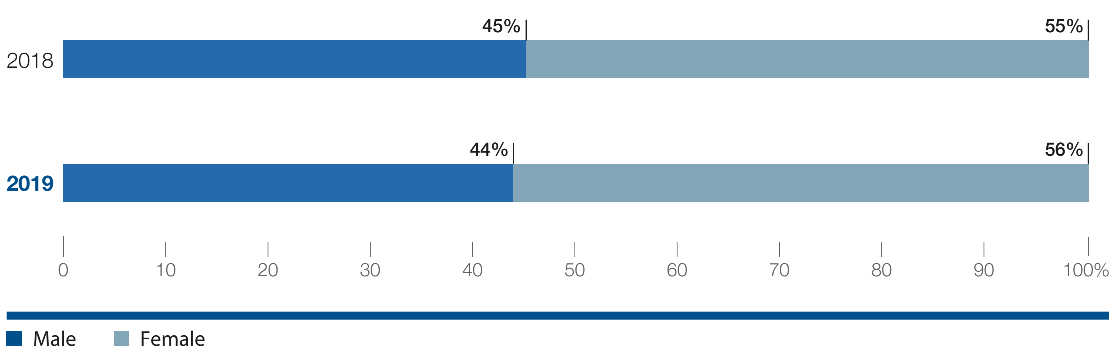
Employees, under the requirements of the laws as well as the corporate system, are entitled to equal opportunities in terms of employment, transfer and salary adjustment, promotion, training and education, regardless of ethnicity, background, origin, nationality, gender and academic qualification. As the Company attaches great attention to showing great respect to safeguarding the above employees' rights, it has formulated the Management Procedures for Anti-discrimination which expressly states no engagement in or support to any discrimination behaviours based on ethnicity, social class, nationality, religion, disability, gender, sexual orientation, age, specific abilities, union membership or political relationship should be tolerated in the affairs regarding employment, training, remuneration, promotion, dismissal or retirement. The Company should not intervene with the employees' respect for the rights related to creed, norms or requirements concerning race, social class, nationality, religion, disability, gender, sexual orientation and unions. Any discrimination by the Company's management will be punished upon verification.

In addition to providing market-competitive remuneration packages for our employees, including salary, bonuses, benefits and various subsidies, we also established pension contribution plans, medical insurance, work injury insurance, unemployment insurance, housing provident funds and maternity insurance for our employees in China, and provided retirement benefits and purchased insurance for most overseas employees. In addition, we offer post-retirement benefits to retirees who are eligible for the requirements of years of service and position.

Our labour force

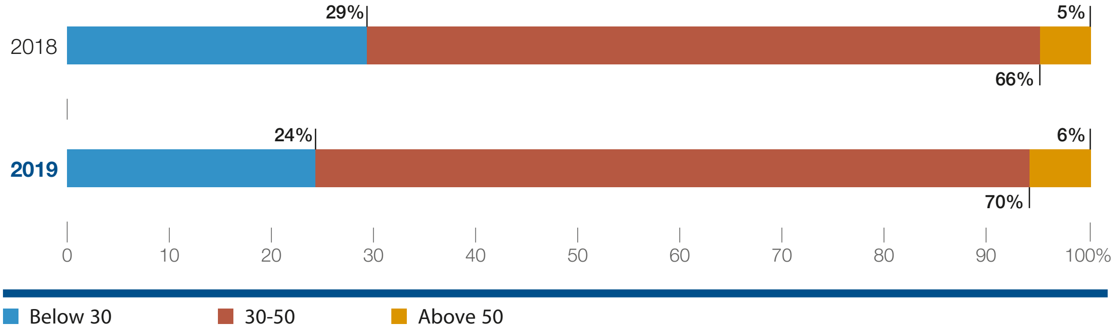
As at December 31, 2019, the Company had a total of 11,700 (2018: 12,767) employees in China, all of them were employed by the Company on a full-time basis. A breakdown of employees by gender and age is set out as follows:

Breakdown of Employees by Gender



Breakdown of existing employees by gender in number and percentage	**2019**	2018
Male	**5,103 (44%)**	5,770 (45%)
Female	**6,597 (56%)**	6,997 (55%)

Breakdown of Existing Employees by Age



Breakdown of existing employees by age in number and percentage	2019	2018
Below 30	**2,755 (24%)**	3,664 (29%)
30-50	**8,251 (70%)**	8,493 (66%)
Above 50	**694 (6%)**	610 (5%)

Employees Turnovers

The Company has formulated Procedures on Resignation and Dismissal with clear procedures regarding resignation, dismissal or retirement of employees, underlining regulations on disputes, compensation and other matters relating to dismissal of employees and safeguarding legitimate interests of our staff. As of December 31, 2019, a total of 13,230 (2018: 13,657) Chinese full-time employees of the Company have resigned. A breakdown of employees turnover by gender and age is set out as follows:

Year	2019	2018
Percentage of turnover by gender:		
Male	**56%**	55%
Female	**44%**	45%
Percentage of turnover by age:		
Below 30	**45%**	44%
30-50	**53%**	53%
Above 50	**2%**	3%

During the Reporting Period, the Company did not have any material non-compliance incident relating to labour practice (2018: none).

Aspect B2: Health and Safety

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

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

During the Reporting Period, the total lost days due to work injury of the Company was 1,192 days, the average lost days per-capita due to work injury (calculated based on the total number of employees as at December 31, 2019) was 0.10, there was no incident of work-related fatalities and the Company did not have any material non-compliance incident relating to laws and regulations on health and safety.

Aspect B3: Development and Training

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

The Company principally organizes diversified training courses during non-peak seasons. In 2019, we organized training courses covering topics of safe production, quality management, finance management, operating management, marketing strategies, etc., offering corresponding trainings to employees of different functions and enhancing their professional knowledge, industry trends, skills and techniques required for their respective positions, as well as increasing our staff's awareness of safe production. Such courses also help to enhance quality of end results of each assignment, thereby improving working efficiency.

Average length of training completed by each employee by gender and position is as follows:

Type	2019 Average length of training (hours)
By gender	
Male	2.44
Female	2.33
By position	
Management	3.25
Middle-level staff	2.00
Junior staff	2.30

Aspect B4: Labour Standards

The Company considers child labour intolerable and pays great attention to and strictly complies with all applicable national laws and local regulations where our business operation is conducted such as Provisions on Prohibition of Child Labour (《禁止使用童工的規定》). The Company has established clear Management Procedures to Prevent Child Labour and strict recruitment processes to put in place effective control over non-recruitment of child labour and support thereof. The management procedures clearly stipulated that employees under the age of 16 must not be hired, and stringent examination on identity documents such as ID card was conducted during the recruitment process to ensure the authenticity of employees' age and other information. If there is any doubt about the validity of age certification documents, the applicant should provide his/her household registration address and certificate issued by public security bureaus or the Company may contact the public security bureaus to verify such information provided. Labour contracts are signed in a fair and voluntary manner in accordance with legal requirements and personal files are created. In order to prevent omissions and risk of impersonation for employees who already completed entry formalities, the Human Resources Department must conduct a unified census of new employees within one month and random checks will be conducted after the first month when necessary. For any violation or non-compliance, the Company will immediately escort the child labour to his/her domicile address and his/her parents or guardians must sign for acknowledgement of receipt and are required to take pictures at the entrance of local government office for record.

Forced labour shall also be eliminated. The Company makes reasonable arrangement of working hours for employees in accordance with the standard working hours stipulated by the national laws where our business operation is conducted. Leaves and other benefits, such as paid leave and sick leave, are provided in accordance with the Labour Law. The Company has established Management Procedures to Prevent Forced Labour to put in place effective control over prevention of exploitation or forced labour and support thereof, thereby ensuring that employees take part in work or labour on a voluntary basis. In the event that overtime work is needed due to production needs, our production bases arrange overtime work on a voluntary basis and it requires negotiation with employee representatives and employees and approval from local labour department and shall not exceed the statutory working hours. All production bases and sales division of the Company in the PRC and overseas prohibit and disapprove any forced labour or contractual servitude, corporal punishment, confinement, violent threat, and forbid employees from receiving any forms of illegal payment, withholding identity document and battering employees. In order to eliminate the occurrence of forced labour, the Company offered employees the opportunities to raise their opinions and feelings at work by setting up employee opinion collection boxes at the entrance doors or through complaint channels such as assistance of union members. Personnel and Administration Division collected the opinions from the collection boxes on a weekly basis, summarized the opinions according to the situation and reported the corresponding solutions to the management, and gave feedback to the informers. In case of any forced labour, employee representative or management will conduct investigation and collect opinion from the workers, and promptly arrange a discussion with management to jointly explore the solutions and pursue legal actions for any non-compliance in accordance with factory regulations and disciplines.

During the Reporting Period, the Company did not have any material non-compliance incident relating to the labour standards under relevant laws and regulations (2018: none).

VII. OUR BUSINESS

The Company is a conglomerate with businesses covering R&D, design, development, manufacturing and sales of products, and mainly manufactures polymer films as raw material for its manufacturing of all kinds of water and outdoor leisure products.

Aspect B5: Supply Chain Management

During the Reporting Period, there were 467 (2018: 379) suppliers who have stable business relationship with the Company, 440 (2018: 365) of whom were located in Mainland China, 6 (2018: 6) from Hong Kong, 6 (2018: 4) from South Korea, 1 (2018: 1) from Singapore, 6 (2018: 1) from Japan, 2 (2018: 2) from the US and 6 (2018: 0) from Vietnam.

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

Selecting suppliers is one of the most important parts for the risk management of supply chain. On one hand, we make use of our competitive edge by fully capitalizing on the synergies among us and the suppliers. On the other hand, we take into account the cooperation cost and flexibility of the suppliers. We formulated different management regulations on purchase and procurement, including the procurement procedures management requirement, procurement management and control procedures, and outsourced processing management and control procedures. We also adopted a specific and systematic method to manage the relationship with all of our suppliers, including but not limited to strict implementation of selection criteria of suppliers, one of which is the compliance with the local environmental standards where the sales take place, entering into contract with suppliers, continuous monitoring and assessment, supervising the compliance with related human right requirements on the working environment of suppliers. We used ERP system to undertake central management of core supply-chain operation by monitoring the global supply chain on a real time basis. We are also constantly strengthening and upgrading our real-time supply chain management systems to optimize new product planning and management. In addition, we have formulated supplier assessment requirements that clearly stipulate the content and indicators thereof, conducted relatively objective and fair evaluation for the suppliers in cooperation and promptly provided feedback to suppliers to make corresponding adjustments and improvement.

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

Aspect B6: Product Responsibility

We ensure that the goods and services which we offer are in compliance with laws and regulations related to product quality and responsibility, which include but not limited to provisions in relation to consumer protection under the Product Quality Law of the PRC (《中華人民共和國產品質量法》), the General Rules of the Civil Law of the PRC (《中華人民共和國民法總則》) and the Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》).

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

Product Safety and Quality Management

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

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

Furthermore, each production facility in the production base has a quality control team, and assign each product category with a professional team to ensure product quality during production process. The quality supervision personnel of each production facility are responsible for ensuring that the products meet the quality specification and parameter determined by the product development team for each product category. Our product facilities have obtained various international quality management certifications including ISO9001.

After-sales Management of Product

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

As of December 31, 2019, the Company has set up 42 (2018: 43) customer service centers across the world, 5 (2018: 7) of which are operated by third-party professional organizations, so as to provide better after-sales services to consumers in the world and handle their complaints and feedback in a timely manner. In addition, we engaged third-party regional relationship managers to operate some of our customer service centers. The headquarters-based customer service department monitors the global after-sales function through an information system, while overseas subsidiaries are responsible for daily operations of customer service center in their respective region and nearby areas.

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

Handling of Complaints on Products and Services

The Company places great emphasis on customer complaints and has a global aftersales services information system in place to gather and analyze customer feedbacks and complaints so as to understand users' experiences. We work closely with our regional relationship managers and retailers customers on product returns and consumer feedbacks. Feedbacks from end-consumers are processed by our customer service centers while complaints from our customers are processed by our headquarters-based sales operations team. We take complaints seriously and investigate the underlying causes of each complaint, and maintain a 24-hour consumer service hotline to ensure that consumer complaints are handled promptly.

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

During the Reporting Period, we did not receive any material complaint on our services (2018: none), and did not encounter any recall of products sold or delivered due to safety and health reasons (2018: none).

Safeguarding Customer Information

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

The Company has established corresponding security procedures and measures to safeguard the consumer information by protecting the Company's servers and networks for personal information storage. In compliance with and execution of relevant national and regional laws and regulations relating to personal information security and privacy, we use relevant information with the service of statutory obligation. The Company promises not to sell, lease or share with any third parties any personal information of consumers without the consents of consumers. The Company also signs confidentiality agreements with its employees in accordance with the Requirements on Signing of Confidentiality Agreements to strengthen their awareness of protection for company secrets.

Protection of Intellectual Properties

The Company gives priority to protection of intellectual properties by protecting its own intellectual properties and respecting third-parties' intellectual properties. As of December 31, 2019, the Company had 227 (2018: 161) patents across the world, 117 (2018: 159) pending patent applications domestically and internationally and 81 (2018: 112) new patent applications.

In order to protect the Company's intangible assets of intellectual properties, the Company monitors and analyzes competitors' patents to ensure the safe implementation of the Company's products and minimize the risk of infringement, enhances the efficiency of patent management and avoids infringement of the brand name of the Company to protect the exclusive right of the Company's trademarks, improves management efficiency of the brand name and trademarks of the Company, increases the added value of intellectual property of the Company's products so as to strengthen the competitiveness and sustainable development momentum of the Company.

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

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

Aspect B7: Anti-corruption

The Company endeavours to comply with international and domestic laws and regulations in relation to the prevention of bribery, extortion, fraud and money laundering, including but not limited to "The United Nations Convention against Corruption" (《聯合國反腐敗公約》) and "Anti-Money Laundering Law of the PRC" (《中華人民共和國反洗錢法》).

Through identifying source of corruption risks during business operation, the Company has established a risk alert mechanism to strengthen check and balance mechanism of power and internal control mechanism. The Company has developed internal regulations in respect of anti-corruption and anti-fraud, including the Third-party Payment Management Requirement, the Anti-money Laundering Management Requirement, Requirement on Procurement Representative to Enter Into an Integrity Code, Whistleblowing Management System, Compliance Policy and Implementation Details of Customer-distributor Management etc.

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

During the Reporting Period, there was no corruption litigation case initiated and concluded against the Company or its employees (2018: none).

VIII. OUR COMMUNITY

Aspect B8: Social Investment

The Company has endeavoured to contribute to the society in education, culture and sport, environment and other aspects. The Company is committed to the public welfare and creating work opportunities for local community, and encourages its employees to participate in various internal and external community activities. During the Reporting Period, the Company made multiple donations through charity foundation, improved the ecological environment of the places where we operate, and actively participated in charity events in the communities of the cities where our operation and projects are located in.

- In April and December 2019, we donated a total of RMB225,000 to Shanghai Charity Foundation and the Charity Foundation of Rugao, which were mainly used to support the local community aid fund and offer help to the underprivileged.

- On May 1, 2019, we sponsored the prizes and live experience gifts for "LET'S RIDE" Children Scooter Series Race by Skoda cum Scooter Race at Shanghai Oriental Land which allowed both children and their parents to enjoy the event.

- In July 2019, we initiated the "Bestway's Baishile Large-scale Public Welfare Project of Building Pools for 1,000 Rural Campus" and "10-Year Construction Assistance Project for 1,000 Rural Campus Pools". It is planned that by 2029, a total of 1,000 "Baishile Water Sports Centers for Rural Campus" will be built in China with an aim to tackle the problem of lacking water sports education infrastructure in rural campuses, offering students with favourable conditions for water sports learning and water safety education. Therefore, more rural campuses will possess water sports facilities with professional quality, which would facilitate the integration and the fair development of urban and rural education. During the Reporting Period, we assisted 4 schools, namely Tanxi Town Primary School in Pujiang of Jinhua, Zhejiang, No. 8 Primary School in Duyun of Guizhou, Changming Primary School in Guiding County and Pinzhou Experimental Primary School in Pingtang County.

- On October 19, 2019, we sponsored the Rainbow Walk in Countryside 2019 held in the water conservation forest of Luojing, Baoshan, Shanghai, which allowed children and their parents to experience the beautiful countryside and enjoy the nature.

- During the Reporting Period, we arranged our employees for participating in blood donation in the blood station in Jiading District in Shanghai. A total of 50 warm-hearted employees participated in the blood donation.

In summary, the Company carried out a series of activities for environmental protection and community care during the Reporting Period, and we will further increase our efforts in environmental protection and continue to fulfill our corporate responsibility in environmental and social aspects.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

The Board is of the view that the Company has complied with all the code provisions as set out in the CG Code throughout the year ended December 31, 2019 (the "**Reporting Year**"), save for code provision A.2.1, details of which are explained in the section headed "Chairman and Chief Executive Officer" in this report.

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

COMPLIANCE WITH THE MODEL CODE

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

Specific enquiry has been made to all the Directors, who have confirmed that they have complied with the Model Code throughout the Reporting Year. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

BOARD OF DIRECTORS

The Board of the Company comprises the following Directors:

Executive Directors:

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

Independent Non-executive Directors:

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

The biographical information of the Directors and the relationship between the members of the Board are set out in the section headed "Biographies of Directors and Senior Management" on pages 85 to 92 of this annual report.

Insurance for Directors

Code provision A.1.8 stipulates that an issuer should arrange appropriate insurance cover in respect of legal action against its directors.

Chairman and Chief Executive Officer

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

Independent Non-executive Directors

During the Reporting Year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing at least one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Directors' Re-election

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

Each of the Directors is engaged on a service agreement (for executive Director) or an appointment letter (for independent non-executive Director) for a term of three years, subject to renewal after the expiry of the current term.

In accordance with the articles of association of the Company (the "**Articles**"), one-third of the Directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation at every annual general meeting of the Company provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and any Director appointed by the Board or elected by the Shareholders to fill a casual vacancy or as an addition to the Board shall hold office until the next following general meeting of the Company after his/her appointment and be subject to re-election at such meeting.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

During the Reporting Year, the Directors participated in the following trainings:

Directors	**Type(s) of Training** Note
Executive Directors	
Mr. Zhu Qiang	B
Mr. Liu Feng	B
Mr. Tan Guozheng	B
Mr. Duan Kaifeng	B
Independent Non-executive Directors	
Mr. Dai Guoqiang	A, B
Mr. Lam Yiu Kin	A, B
Mr. Yao Zhixian	B

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Management Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the website of the Company and of the Stock Exchange and are available to Shareholders upon request.

The majority of the members of each Board committee (except the Risk Management Committee) are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 198 of this annual report.

Audit Committee

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

The Audit Committee held three meetings during the Reporting Year and the following matters have been discussed and considered:

(a) reviewed the annual report of the Company for the year ended December 31, 2018 and the interim report of the Company for the six months ended June 30, 2019;

(b) discussed with the external auditor of the Company on the independent auditor's report;

(c) reviewed the Company's internal control system and risk management system and discussed with the management on the effectiveness of these systems; and

(d) recommended to the Board for the proposal for re-appointment of the external auditor of the Company.

All members of the Audit Committee attended all meetings.

Remuneration Committee

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

The Remuneration Committee held two meetings during the Reporting Year for considering and recommending to the Board the remuneration and other benefits paid by the Company to the Directors and senior management and other related matters.

All members of the Remuneration Committee attended all meetings.

Nomination Committee

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

In assessing the Board's composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's board diversity policy (the "**Board Diversity Policy**"). The Nomination Committee shall monitor the implementation of the Board Diversity Policy and review the progress of its measurable objectives from time to time.

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

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

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

The Nomination Committee held one meeting during the Reporting Year to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and make recommendation to the Board on the re-election of the retiring Directors.

All members of the Nomination Committee attended the meeting.

Board Diversity Policy

The Board has adopted a Board Diversity Policy which sets out the approach to achieve diversity within the Board in order to strengthen the performance of the Board, promote effective decision-making and better corporate governance and monitoring. The particulars of Board Diversity Policy are set out as follows:

(1) when assessing diversity within the Board, certain factors will be considered, including but not limited to skills, experience, cultural and educational background, geographical, industry and professional experience, ethnicity, gender, age, knowledge and length of service;

(2) the Nomination Committee will discuss and agree on the measurable objectives for achieving diversity within the Board and recommend them to the Board for adoption;

(3) the Nomination Committee will monitor the implementation of the Board Diversity Policy and report to the Board on the progress of the measurable objectives under the Board Diversity Policy and whether or not such objectives have been achieved;

(4) the Nomination Committee will review the Board Diversity Policy as appropriate, to ensure the effectiveness of the Board Diversity Policy; and

(5) the Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for approval.

Director Nomination Procedure

The Board has adopted a formal nomination procedure for selection, appointment and re-appointment of Directors ("**Nomination Procedure**") to ensure changes to the Board's composition can be managed without undue disruption. The particulars of Nomination Procedure are set out as follows:

(1) the Nomination Committee shall take into account the following factors when considering the nomination or re-appointment of a candidate:

(a) the candidate's age, skills, knowledge, experience, expertise, professional qualifications, academic qualifications, background and other personal qualities;

(b) the candidate's impact on the composition of the Board and the diversity within Board members;

(c) commitment of the candidate to devote sufficient time to effectively discharge his/her duties. In this regard, the number and nature of offices held by the candidate in public companies or organizations, and other executive appointments or significant commitments will be considered;

(d) any potential or actual conflicts of interest that may arise if the candidate is selected;

(e) the candidate's independence;

(f) in the case of a proposed re-appointment of an independent non-executive Director, the number of years he or she has already served; and

(g) any other considerations as the Nomination Committee considers appropriate;

(2) the Nomination Committee will select the candidates through consideration of age, skills, knowledge, experience, expertise, professional qualifications, academic qualifications, background and other personal qualities of candidates. The Nomination Committee may use any process as appropriate to evaluate candidates, which may include personal interviews, background checks, statements or written references provided by candidates and third parties;

(3) the Nomination Committee shall provide the candidates' information, including the details required under Rule 13.51(2) of the Listing Rules, to the Board and make proposal about, including but not limited to, the terms and conditions of the appointment. The Board shall review and decide on the appointment in accordance with the recommendations of the Nomination Committee;

(4) all Director appointments shall be confirmed by letters of appointment or service contracts which should set out the main terms and conditions of the appointments and shall be approved by the Nomination Committee; and

(5) the Company shall also disclose the details required under Rule 13.51(2) of the Listing Rules of any Directors proposed to be re-appointed or any proposed new Director in the notice or accompanying circular to the Shareholders of the relevant general meeting, if such re-appointment or appointment is subject to Shareholders' approval at that relevant general meeting.

Risk Management Committee

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

The Risk Management Committee held two meetings during the Reporting Year for reviewing and assessing the effectiveness of the financial reporting system, risk management and internal control systems of the Company and reviewing the use of proceeds from initial public offering of the Company.

All members of the Risk Management Committee attended all meetings.

Corporate Governance Functions

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

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

Dividend Policy

The Board has adopted a dividend policy ("**Dividend Policy**"), setting out the principles and guidelines the Company intends to apply in relation to the declaration, payment or distribution of its net profits to the Shareholders as dividends. The principles and guidelines of Dividend Policy are set out as follows:

(1) in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value;

(2) the Company intends to pay dividends from time to time in an aggregate amount no less than 30% of distributable profits attributable to the owners of the Company, subject to the conditions and factors as set out below;

(3) the Board has the absolute discretion to declare and distribute dividends aforementioned to the Shareholders, subject to the Articles and all applicable laws and regulations and the factors set out below;

(4) the Board shall also take into account the results of operation of the Company and its subsidiaries, the total equity, business conditions, strategies or needs for future expansions, capital needs and expenditure plan, dividend paid to the Company by its subsidiaries, impact of the dividend distribution on the working capital and financial position, cash flow status, future operations and revenue of the Group, and other factors as the Directors may deem relevant at such time when considering the declaration and payment of dividends.

(5) the laws of PRC and the financial reporting standards of the PRC which are applicable to the Company's subsidiaries as these would restrict the subsidiaries to make dividend payment to the Company;

(6) depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, the following dividends may be proposed and/or declared by the Board for a financial year or period:

    (a) interim dividend;

    (b) final dividend;

    (c) special dividend; and

    (d) any distribution of net profits that the Board may deem appropriate;

(7) any final dividend for a financial year will be subject to Shareholders' approval;

(8) the Company may declare and pay dividends by way of cash or scrip shares or by other means that the Board considers appropriate; and

(9) any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Articles and applicable laws.

ATTENDANCE RECORD OF BOARD MEETINGS AND ANNUAL GENERAL MEETING

Code provision A.1.1 of the CG Code requires that at least four regular Board meetings should be held each year at approximately quarterly intervals, with active participation of a majority of directors, either in person or through other electronic means of communication.

Notice of at least 14 days will be given to all Directors for all regular Board meetings and a formal agenda was addressed to the Directors together with the notice. All Directors were provided with adequate information which enabled them to make informed decisions on the matters discussed and considered at the Board meetings. The Directors can obtain independent professional advice at the Company's expense when required.

The attendance records of each Director at the Board meetings and the annual general meeting of the Company held during the Reporting Year are set out in the table below:

Directors	**Attended/Eligible to attend the Board meeting(s)**	**Attended/Eligible to attend the annual general meeting**
Mr. Zhu Qiang	4/4	1/1
Mr. Liu Feng	4/4	1/1
Mr. Tan Guozheng	4/4	1/1
Mr. Duan Kaifeng	4/4	1/1
Mr. Dai Guoqiang	4/4	1/1
Mr. Lam Yiu Kin	4/4	1/1
Mr. Yao Zhixian	4/4	1/1

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Year.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 93 to 196 of this annual report.

AUDITORS' REMUNERATION

An analysis of the remuneration paid to the external auditors of the Company, PricewaterhouseCoopers, in respect of audit services and non-audit services for the year ended December 31, 2019 is set out below:

Service Category	**Fees Paid/ Payable in US$**
Audit Services	599,737
Non-audit Services[1]	9,283
Total	609,020

Note:

(1) tax advisory and other tax-related services

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has committed to ensuring the establishment and operation of an appropriate and effective risk management and internal control systems of the Company. The Board has continuously overseen the management in the design, implementation and monitoring of the risk management and internal control systems of the Company.

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

The Company has established an organizational structure with clear division of duties and positions as well as reporting procedures. The Risk Management Committee, Audit Committee and legal and compliance department work closely with our internal audit department to assist the Board in continuous review of the effectiveness of the Company's risk management and internal control systems.

During the Reporting Year, the management conducted an internal assessment and consolidation of relevant risks faced by the Company. There is no material change in the aspect, nature and extent of the risks faced by the Company and the Company is confident of its capability to handle such risks and relevant measures have been established.

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

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

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

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

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

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

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

(1) reviewing systems and documentation and conducting interviews with management and key business officers of the Company to identify key risks;

(2) identifying, consolidating and analyzing existing and potential risks;

(3) evaluating and formulating tackling measures in response to identified risks;

(4) implementing testing procedures to confirm the existence of key controls and effectiveness of control in the course of operations;

(5) identifying possible defects in respect of control designs and exercise of control in the course of key operations; and

(6) confirming relevant issues and arriving at a modification plan in response to the internal control defects, and following up the implementation.

During the Reporting Year, in addition to the regular work performed by internal audit department and auditors of the Company, the Board engaged an external consultant to conduct an assessment on the internal control systems including financial control, production operation, compliance control and risk management of the Company and its subsidiaries. No material issue or flaw was found in the internal control of the Company. Suggestions for improvement made by the consulting agency were implemented and followed up by the management.

As of December 31, 2019, the Company did not experience any material control oversight or deficiency. The Company's procedures in respect of financial reporting and compliance with the requirements of the Listing Rules remain effective.

The Board is of the opinion that the current risk management systems and internal control systems of the Company are effective and there are sufficient resources in terms of qualification and experience, training received by employees and relevant budget for accounting, internal audit and financial reporting functions of the Company.

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

JOINT COMPANY SECRETARIES

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

SHAREHOLDERS' RIGHTS

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

Convening an Extraordinary General Meeting by Shareholders

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

Putting Forward Proposals at General Meetings

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

Putting Forward Enquiries to the Board

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

Contact Details

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

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

Constitutional Documents

During the Reporting Year, the Company has not made any changes to the Articles. An up-to-date version of the Articles is also available on the Company's website and Stock Exchange's website.

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of Director subsequent to the publication of the 2018 annual report of the Company is set out below:–

Mr. Lam Yiu Kin has been appointed as an independent non-executive director of Topsports International Holdings Limited (stock code: 6110), a company listed on the Stock Exchange, effective from September 26, 2019.

REPORT OF THE DIRECTORS

The Board is pleased to present the report of the Directors together with the audited consolidated financial statements of the Group for the year ended December 31, 2019.

PRINCIPAL ACTIVITIES

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

Segment analysis of the Company for the year ended December 31, 2019 is set out in Note 5 to the consolidated financial statements. A list of the Company's subsidiaries, together with their places of incorporation, principal activities and particulars of their issued shares/registered share capital, is set out in Note 15 to the consolidated financial statements.

BUSINESS REVIEW

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the Group's business, particulars of important events affecting the Group that have occurred since the end of the financial year, an indication of likely future development in the Group's business, and an analysis using financial key performance indicators can be found in the Management Discussion and Analysis of this annual report set out on pages 10 to 22. Further details relating to the Group's relationships with its key stakeholders, the Group's environmental policies and performance, as well as the compliance with the relevant laws and regulations that have a significant impact on the Group can be found in the Environmental, Social and Governance Report on pages 30 to 52. The Management Discussion and Analysis and the Environmental, Social and Governance Report form part of this report of the Directors.

FINANCIAL RESULTS

The results of the Group for the year ended December 31, 2019 are set out in the consolidated statement of comprehensive income on page 100.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the financial position of the Group for the last five years is set out on page 197 of this annual report.

SHARE CAPITAL

The Company had 1,058,391,000 issued Shares as at December 31, 2019. Details of the movement in the share capital of the Company during the year ended December 31, 2019 are set out in Note 30 to the consolidated financial statements.

FINAL DIVIDEND

The Board has recommended a final dividend of US$0.0084 per Share (equivalent to approximately HK$0.0654 per Share at the exchange rate of US$1.00 to HK$7.7877 as at December 31, 2019) for the year ended December 31, 2019, amounting to a total of US$8.9 million. Subject to Shareholders' approval at the 2020 annual general meeting of the Company to be held on May 20, 2020 ("**2020 AGM**"), the proposed final dividend will be distributed on June 26, 2020 to Shareholders whose names appear on the register of members of the Company on May 28, 2020.

If the proposed final dividend is approved by the Shareholders at the 2020 AGM, it will be payable in cash in HK dollars or US dollars, at the exchange rate of HK dollars to US dollars as published by Bank of China on May 20, 2020 and Shareholders will be given the option of electing to receive the final dividend in either HK dollars or US dollars.

To make the dividend election, Shareholders should complete the Dividend Currency Election Form (if applicable) and return it to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on June 15, 2020. If no dividend currency election is made by a Shareholder, such Shareholder will receive the final dividend in HK dollars.

DONATIONS

During the year ended December 31, 2019, the Group made charitable and other donations in an aggregate amount of approximately about RMB225,000.

CLOSURE OF REGISTER OF MEMBERS

IN RELATION TO THE 2020 AGM

For ascertaining Shareholders' right to attend and vote at the 2020 AGM, the register of members of the Company will be closed from May 15, 2020 to May 20, 2020, both days inclusive, during which period no transfer of Shares will be effected.

In order to be eligible to attend and vote at the forthcoming 2020 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on May 14, 2020 for registration.

IN RELATION TO THE FINAL DIVIDEND

In addition, in order to determine the entitlement of the Shareholders to receive the final dividend, the register of members of the Company will be closed from May 26, 2020 to May 28, 2020, both days inclusive.

In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on May 25, 2020 for registration. The record date and time for entitlement to the proposed final dividend is May 28, 2020 at 4:30 p.m.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year ended December 31, 2019 are set out in Note 31 to the consolidated financial statements. As of December 31, 2019, the Company's distributable reserves amounted to US$170,368,384 as calculated pursuant to the Companies Law of the Cayman Islands.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements of our property, plant and equipment during the year ended December 31, 2019 are set out in Note 17 to the consolidated financial statements.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The Shares were listed on the Main Board of the Stock Exchange on November 16, 2017 (the "**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 December 31, 2019 amounted to US$142.0 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. For further details, please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in the Prospectus.

As of December 31, 2019, the Group has utilized the net proceeds as follows:

	Percent to total amount	Net proceeds US$ million	Utilized amount US$ million	Unutilized amount US$ million	Time Frame
Expansion of production capacity	37%	52.5	52.5	0	The balance is fully utilized in 2019.
Repayment of short-term bank borrowings	35%	49.7	49.7	0	The balance is fully utilized in 2018.
Product development	9%	12.8	12.8	0	The balance is fully utilized in 2019.
Marketing events	5%	7.1	7.1	0	The balance is fully utilized in 2018.
Improvement of ERP system	5%	7.1	7.1	0	The balance is fully utilized in 2019.
Working capital and other general corporate purposes	9%	12.8	12.8	0	The balance is fully utilized in 2018.
	100%	142.0	142.0	0	The balance is fully utilized in 2019.

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

During the year ended December 31, 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

BOARD COMMITTEES

Please refer to pages 53 to 67 of the Corporate Governance Report for further details in relation to (1) the Remuneration Committee, (2) the Audit Committee, (3) the Nomination Committee and (4) the Risk Management Committee as established by the Board.

DIRECTORS

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

Executive Directors:

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

Independent non-executive Directors:

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

Biographical details of the Directors are set out in "Biographies of Directors and Senior Management" on pages 85 to 92 of this annual report.

Mr. Zhu Qiang, Mr. Liu Feng and Mr. Tan Guozheng were re-elected as executive Directors at the 2019 annual general meeting of the Company (the "**2019 AGM**") held on May 27, 2019.

In accordance with Article 16.18 of the Articles, one-third of the Directors namely Mr. Duan Kaifeng, Mr. Dai Guoqiang and Mr. Lam Yiu Kin shall retire at the 2020 AGM. All of the above retiring Directors, being eligible, will offer themselves for re-election at the 2020 AGM.

All independent non-executive directors had entered into an engagement letter with the Company with a term of three years.

DIRECTORS' SERVICE CONTRACTS

None of the Directors offering for re-election at the 2020 AGM has a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

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

Save as disclosed under the section headed "Related Party Transactions" below and Note 40 "Related party transactions" to the consolidated financial statements, no contracts of significance (as defined in Appendix 16 to the Listing Rules) in relation to our business to which the Company, its holding company or any of its subsidiaries was a party and in which a Director or controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of 2019 or at any time during 2019.

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

SANCTIONS RISKS MANAGEMENT

As disclosed in the Prospectus, the Board had developed its system on evaluating the sanctions risks prior to determining whether the Company should embark on any business opportunities in the countries, or with the individuals, sanctioned by the U.S., the European Union ("**E.U.**"), the United Nations or Australia, including but without limitation, any government, individual or entity that is subject to any the U.S. Department of Treasury's Office of Foreign Assets Control administered sanctions ("**Sanctioned Countries"** or **"Sanctioned Persons**"). Our risk control department assists our Risk Management Committee in the day-to-day monitoring of our sanctions risks, including reviewing existing and potential customers' information against our control list of Sanctioned Countries and persons and entities designated pursuant to U.S., E.U. and Australian sanctions programs. The Company would seek advices from reputable external international legal counsels with necessary expertise and experience in matters relating to international sanctions laws if the Company encounters any possible sanctions risk. During the year ended December 31, 2019, the Board had conducted a review of the system's effectiveness in preventing any prohibited or otherwise restricted sales to Sanctioned Countries or Sanctioned Persons.

RELATED PARTY TRANSACTIONS

Details of the related party transactions were set out in Note 40 to the consolidated financial statements. Details of any related party transaction which constitute continuing connected transaction not exempted under Chapter 14A of the Listing Rules are disclosed below.

Continuing Connected Transactions

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

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

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

Agreement date	Counterparties	Term of agreement	2019 Annual cap (RMB)	Amount for the year (RMB)
November 3, 2017	Connected Suppliers	November 16, 2017 to December 31, 2019	58 million	41.9 million

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

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

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

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

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

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

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

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

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

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

(d) with respect to the aggregate amount of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap set by the Company.

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

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

(b) on normal commercial terms or better; and

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

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

INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF DIRECTORS AND CHIEF EXECUTIVES

As at December 31, 2019, the interests of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), (ii) which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or (iii) which were notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, were as follows:

1. Interest in Shares or underlying shares of the Company

Name of Director	Nature of interest	Number of Shares or underlying shares	Approximate percentage of shareholding interest[1]
Mr. Zhu Qiang	Interest in controlled corporation[2]	574,706,132	54.30%
	Beneficial owner	1,866,000	0.18%
Mr. Duan Kaifeng	Beneficial owner	500,000	0.05%
Mr. Liu Feng	Beneficial owner	400,000	0.04%
Mr. Tan Guozheng	Beneficial owner	600,000	0.06%

Notes:

(1) As at December 31, 2019, the total number of issued shares of the Company was 1,058,391,000.

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

2. Interest in Shares of associated corporations of the Company

Name of Director	Name of associated corporation	Nature of interest	Number of Shares in the associated corporation	Percentage of shareholding
Mr. Zhu Qiang	Great Success[(1)]	Interest in controlled corporation	756	100.00%
	Great Access[(2)]	Beneficial owner	92	92.00%

Notes:

(1) Great Success is wholly owned by Great Access.

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

Save as disclosed above, as of December 31, 2019, so far as is known to the Directors, none of the Directors and the chief executives of the Company had or were deemed to have any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified under Divisions 7 and 8 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS

As at December 31, 2019, the following persons (other than the Directors and chief executives of the Company) had interests in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of interest in the Company[(1)]
Great Success	Beneficial owner	574,706,132	54.30%
Great Access[(2)]	Interest in controlled corporation	574,706,132	54.30%
MSNKS Investments II, LLC	Beneficial owner	142,882,740	13.50%
Mr. Bogdan Nowak[(3)]	Interest in controlled corporation	142,882,740	13.50%
Outland Enterprise Company Limited	Beneficial owner	64,297,233	6.07%

Notes:

(1) As at December 31, 2019, the total number of issued shares of the Company was 1,058,391,000.

(2) Great Access owns the entire issued share capital of Great Success and accordingly is deemed to be interested in all the Shares held by Great Success for the purpose of Part XV of the SFO.

(3) Mr. Bogdan Nowak owns the entire issued share capital of MSNKS Investments II, LLC and accordingly is deemed to be interested in all the Shares held by MSNKS Investments II, LLC for the purpose of Part XV of the SFO.

EQUITY-LINKED AGREEMENTS

Save for the share-based payments scheme as set out below, the Company has not entered into any equity-linked agreement during the year ended December 31, 2019.

SHARE OPTION SCHEME AND SHARE-BASED PAYMENTS SCHEME

Save as disclosed below and Note 32 to the consolidated financial statements, the Company does not have other share option schemes.

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

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

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

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

(iii) the nominal value of the Shares.

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

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

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

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

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

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

Details of options granted are set out in Note 32 to the consolidated financial statements.

During the year ended December 31, 2019, the movements of the options which have been granted under the Share Option Scheme were as follows:

				Number of share options				
Category	Date of Grant	Exercise price per Share (HK$)	Exercise Period[2]	Balance as at January 1, 2019	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Balance as at December 31, 2019
Directors								
Mr. Liu Feng	March 20, 2018	4.346[1]	March 20, 2019 -March 20, 2023	400,000	–	–	–	400,000
Mr. Tan Guozheng	March 20, 2018	4.346[1]	March 20, 2019 -March 20, 2023	600,000	–	–	–	600,000
Mr. Duan Kaifeng	March 20, 2018	4.346[1]	March 20, 2019 -March 20, 2023	500,000	–	–	–	500,000
Total for Directors				1,500,000	–	–	–	1,500,000
Employees								
Employees of the Group	December 18, 2017	3.028[3]	December 18, 2018 – December 18, 2022	10,000,000	–	–	–	10,000,000
	March 20, 2018	4.346[1]	March 20, 2019 – March 20, 2023	17,570,000	–	–	5,110,000	12,460,000
Total for employees of the Group				27,570,000	–	–	–	22,460,000
Total for all categories				29,070,000	–	–	5,110,000	23,960,000

Notes:

(1) The closing price of the shares of the Company immediately before the date on which the options were granted was HK$4.43. The fair value of the share options granted is set out in Note 32 to the consolidated financial statements.

(2) Subject to the terms and conditions of the Share Option Scheme, 25% of these share options will be vested on the date falling on the first, second, third and fourth anniversary of the respective date of grant, respectively.

(3) The closing price of the shares of the Company immediately before the date on which the options were granted was HK$3.47. The fair value of the share options granted is set out in Note 32 to the consolidated financial statements.

Save as disclosed above, no other options under the Share Option Scheme were outstanding at the beginning or at the end of the year ended December 31, 2019 and no other options were granted, exercised, cancelled or lapsed at any time during the year.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

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

PRE-EMPTIVE RIGHTS

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

EMPLOYEE RETIREMENT BENEFIT

The Group operates post-retirement benefit obligations in the PRC. The level of benefits provided depends on members' length of service and their job titles. The service cost in 2019 of the post-retirement benefits set out in Note 10 to the consolidated financial statements, reflects the increase in the post-retirement benefits results from employee service in the current year, benefit changes, curtailments and settlements.

CORPORATE GOVERNANCE

The Company has adopted the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules. The Board considered that during the year ended December 31, 2019, the Company has complied with the applicable code provisions set out in the CG Code, save for code provision A.2.1 of the CG Code. For details, please refer to the "Corporate Governance Report" on pages 53 to 67 of this annual report.

EMOLUMENT POLICY AND SENIOR MANAGEMENT'S EMOLUMENTS

For details of our remuneration policy and regarding our employees, please refer to the section "VI. Our Employees" under "Environmental, Social and Governance Report" on pages 30 to 52 in this annual report.

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

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

The five individuals whose remuneration was the highest in the Group in 2019 included one Director and four members of the senior management.

The annual remuneration of the members of the senior management (other than the Directors) by bands for the year ended December 31, 2019 is set out below:

Remuneration bands	**Number of individuals**
Within HK$1,000,000	–
HK$1,000,000 to HK$1,500,000	1
Above HK$2,000,000	3

Details of the remuneration of each of the Directors for the year ended December 31, 2019 are set out in Note 10 to the consolidated financial statements.

None of the Directors has agreed to waive any emoluments for the year ended December 31, 2019.

NON-COMPETITION UNDERTAKING BY DIRECTORS

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

MINIMUM PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as of the date of this annual report, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or substantial part of the business of the Company were entered into or existed during the year ended December 31, 2019.

PERMITTED INDEMNITY PROVISION

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

MAJOR CUSTOMERS AND SUPPLIERS

The relationship between the Group and our customers has been stable. For the year ended December 31, 2019, the aggregate sales to our five largest customers comprised 15.1% by the value of our total revenue in 2019, with the largest customers account for 5.3%.

The relationship between the Group and our suppliers has been stable. For the year ended December 31, 2019, the five largest suppliers of the Group comprised 38.2% by value of our total purchases during the year, with the largest supplier accounted for 15.3%.

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the Share Option Scheme, at no time during the year ended December 31, 2019 was the Company or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

BANK LOAN, OVERDRAFTS AND OTHER BORROWINGS

For details, please refer to the section "Borrowings" under "Management Discussion and Analysis" on page 19 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

It is our corporate and social responsibility in promoting a sustainable and environmental friendly environment. The Group has implemented internal policies and procedures with respect to environmental protection. We spent US$1.4 million, US$2.3 million and US$2.4 million for the years ended December 31, 2017, 2018 and 2019, respectively, as cost of compliance with the applicable environmental laws and regulations. We were ranked as one of the top seven Chinese Suppliers and awarded the "Leading Suppliers for corporate action on Climate Change in China" in 2016 and 2017 by CDP (Carbon Disclosure Project).

COMPLIANCE WITH LAWS AND REGULATIONS

Our operations are mainly carried out by the Company's subsidiaries in China while the Company itself is listed on the Stock Exchange. Our operations shall comply with relevant laws and regulations in China and Hong Kong. During the year ended December 31, 2019 and up to the date of this annual report, the Group has complied with all the relevant laws and regulations in China and Hong Kong in all material respects.

AUDITOR

The consolidated financial statements for the year ended December 31, 2019 have been audited by PricewaterhouseCoopers, who will retire at the conclusion of the AGM and offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the auditor of the Company will be proposed at the AGM. The Company has not changed its auditor in the past 3 years.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

Facility Agreement dated April 1, 2019

On April 1, 2019, Bestway (Hong Kong) International Limited, an indirect wholly-owned subsidiary of the Company as borrower (the "**Borrower**"), entered into a facility agreement with, among others, certain financial institutions as lenders (the "**Lenders**") (the "**Facility Agreement**"), pursuant to which the Lenders agreed to make a loan to the Borrower in an amount of US$88,888,000 (with an option to increase the amount by US$50,000,000) for a term of three years. Pursuant to the Facility Agreement, it will be an event of default under the Facility Agreement if our Controlling Shareholder, Mr. Zhu Qiang, ceases to (i) beneficially own directly or indirectly equal or more than 50.1 per cent of the issued share capital of, or voting rights in, the Company; or (ii) remain as the single largest shareholder of the Company. The Borrower will need to repay all the amount outstanding under the Facility Agreement upon acceleration after occurrence of an event of default which is continuing and the Lenders shall not be required to make further advances to the Borrower under the Facility Agreement.

For details of the above transaction, please refer to the announcement of the Company dated April 1, 2019.

On behalf of the Board
Zhu Qiang
Chairman and Chief Executive Officer
Hong Kong
March 25, 2020

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Zhu Qiang (朱強)

Executive Director, chief executive officer and chairman

Mr. Zhu Qiang (朱強), aged 51, is the founder of the Group, our Controlling Shareholder, Chairman, executive Director and chief executive officer of the Company, chairman of the risk management committee and was appointed as a Director on June 25, 2012. Mr. Zhu is responsible for formulating overall development planning and strategic management, overseeing global management of the BESTWAY brand, making major business decisions and formulating overall operation management of the Group. With 25 years of experience with the Group, Mr. Zhu was the general manager when Shanghai Bestway Plastic was established in April 1994, and has become the Chairman and the chief executive officer of the Group since January 2001. Prior to establishing the Group in 1994, Mr. Zhu worked at Shanghai Municipal Foreign Economic Relations and Trade Commission (上海市對外經濟貿易委員會) (currently known as Shanghai Municipal Commission of Commerce (上海市商務委員會)) from July 1990 to June 1993 and was responsible for import and export business such as overseas sales and marketing, sourcing and procurement.

Mr. Zhu graduated from the mechanical faculty of Shanghai Institute of Mechanical Engineering and Technology (上海機械專科學校) (currently known as University of Shanghai for Science and Technology (上海理工大學)) majoring in Mechanical Manufacturing Technology and Equipment in June 1990 and graduated from Fudan University (復旦大學) with an Executive Master of Business Administration ("**EMBA**") degree in January 2008. Over the years, Mr. Zhu has received many awards and accolades acknowledging his contributions to both the industry and the society, such as receiving the Excellent Entrepreneur in Shanghai Light Industry (上海市輕工行業優秀企業家) from the Shanghai Light Industry Association (上海市輕工業協會) in 2010, and the Excellent Entrepreneurship Award (優秀企業家獎) in 2017 and Outstanding Contribution Award (傑出貢獻獎) in 2019 from China Stationery & Sporting Goods Association (中國文教體育用品協會).

Liu Feng (劉峰)

Executive Director

Mr. Liu Feng (劉峰), aged 50, is the executive Director, executive vice president and general counsel to the Company and was appointed as a Director on June 25, 2012. Mr. Liu is responsible for managing government relationships, supervising human resources and general administration of the Group. Mr. Liu joined the Group in May 2002 and has 17 years of experience in management with the Group. Prior to joining the Group, Mr. Liu was the deputy general manager in Shanghai City Real Estate Information Technology Co., Ltd (上海城市房地產信息技術有限公司) from January 1999 to April 2002.

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

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

Tan Guozheng (譚國政)
Executive Director

Mr. Tan Guozheng (譚國政), aged 51, is the executive Director and vice president of the Company and was appointed as a Director on March 31, 2014. Mr. Tan is responsible for overseeing and managing finance and internal control of the Group. Mr. Tan joined the Group in November 2004 and has 15 years of experience in financial control with the Group.

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

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

Duan Kaifeng (段開峰)
Executive Director

Mr. Duan Kaifeng (段開峰), aged 45, is the executive Director and chief financial officer of the Company and was appointed as a Director on May 10, 2017. Mr. Duan is responsible for accounting, budgeting and overall financial management of the Group. Mr. Duan joined the Group in 2007 and has 12 years of experience in financial management with the Group. Prior to joining the Group, Mr. Duan worked at the finance department of Shanghai Novel Colour Picture Tube Inc., (上海永新彩色顯像管股份有限公司) (previously known as Shanghai Novel CPT Co., Ltd (上海永新彩色顯像管有限公司)) from April 2000 to August 2006 and served as the accounting manager at the time of departure.

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

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

Dai Guoqiang (戴國強)
Independent non-executive Director

Mr. Dai Guoqiang (戴國強), aged 67, is the independent non-executive Director of the Company, chairman of the nomination committee and was appointed as a Director on October 18, 2017. Mr. Dai graduated from Shanghai School of Finance and Economics (上海財經學院) (currently known as Shanghai University of Finance and Economics (上海財經大學)), with a bachelor's and a master's degree in January 1983 and July 1987 respectively. Following which, Mr. Dai obtained a Ph.D. in Economics from Fudan University (復旦大學) in July 1994. He was the Dean of the School of Finance of Shanghai University of Finance and Economics (上海財經大學) from March 1999 to April 2006. He was the Party Secretary (黨委書記) of the School of Finance of Shanghai University of Finance and Economics (上海財經大學) from April 2006 to July 2007. He served as the Dean and Party branch Secretary of the Master of Business Administration School of Shanghai University of Finance and Economics (上海財經大學) from July 2007 to April 2011. Mr. Dai served as the Party branch Secretary and associate Dean (黨支部書記兼副院長) of the College of Business of Shanghai University of Finance and Economics (上海財經大學) since April 2011. He ceased his position as Party branch secretary and associate Dean in February 2016 and March 2017 respectively. Mr. Dai has served as a professor of finance of the School of Finance of Shanghai University of Finance and Economics (上海財經大學) since June 1995.

Mr. Dai was the independent non-executive director of Bank of Shanghai Co., Ltd (上海銀行股份有限公司) from February 2004 to June 2009. He was an external supervisor of Bank of Shanghai Co., Ltd (上海銀行股份有限公司) from June 2009 to June 2017. He served as a member of Master of Finance Teaching Guidance Committee under the Ministry of Education of the PRC (中華人民共和國教育部金融專業學位研究生教學指導委員會委員) from January 2011 to March 2017. He also serves as an arbitrator on the panel of China International Economic and Trade Arbitration Commission since May 2014.

Mr. Dai was awarded with the Shanghai Teaching Model Nomination Award (上海市教書育人楷模提名獎) in September 2012, the 3rd Universities Distinguished Teacher Award (第三屆高等學校教學名師獎) from Ministry of Education of the PRC in September 2007, the Shanghai Universities Distinguished Teacher Award (上海高校教學名師獎) in August 2006, and the Citigroup Financial Information Technology Education Fund Project Excellence Award (花旗集團金融信息科技教育基金項目優秀獎教金) from Citigroup Software and Technology Services (Shanghai) Limited (花旗軟件技術服務(上海)有限公司) in December 2005. Mr. Dai is currently an independent non-executive director of China Greenland Broad Greenstate Group Company Limited (stock code: 1253), Bank of Guiyang Co., Ltd. (貴陽銀行股份有限公司) (stock code: 601997) and an independent director of Liqun Commercial Group Co., Ltd. (stock code: 601366). Mr. Dai is also acting as an executive director of Shanghai Niaozhi Literary and Artistic Creation Limited Company (上海梟之文學藝術創作有限公司).

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

Mr. Lam Yiu Kin (林耀堅), aged 65, is the independent non-executive Director of the Company, chairman of the audit committee and was appointed as a Director on October 18, 2017.

Mr. Lam is a fellow of the Association of Chartered Certified Accountants, a member of the Institute of Chartered Accountants in England & Wales, a member of the Chartered Accountants Australia and New Zealand, and a member of Hong Kong Institute of Certified Public Accountants. He graduated from Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) with a higher diploma in Accountancy in October 1975. He was conferred University Fellow of The Hong Kong Polytechnic University in November 2002. Mr. Lam was a partner of PricewaterhouseCoopers from 1993 to 2013. Mr. Lam was an independent non-executive director of Mason Financial Holdings Limited (stock code: 0273), a company listed on the Main Board of the Stock Exchange, from August 2015 to May 2017. Mr. Lam is currently an independent non-executive director of each of Global Digital Creations Holdings Limited (stock code: 8271); Spring Real Estate Investment Trust (stock code: 1426); Vital Innovations Holdings Limited (stock code: 6133); Shanghai Fudan-Zhangjiang BioPharmaceutical Co., Ltd. (stock code: 1349); Shougang Concord Century Holdings Limited (stock code: 0103); COSCO Shipping Ports Limited (stock code: 1199); Nine Dragons Paper (Holdings) Limited (stock code: 2689); WWPKG Holdings Company Limited (stock code: 8069); CITIC Telecom International Holdings Limited (stock code: 1883); and Topsports International Holdings Limited (stock code: 6110).

Yao Zhixian (姚志賢)
Independent non-executive Director

Mr. Yao Zhixian (姚志賢), aged 69, is the independent non-executive Director of the Company, chairman of the Remuneration Committee and was appointed as a Director on October 18, 2017.

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

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

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

SENIOR MANAGEMENT

Patrizio Fumagalli

Chief strategic officer of the Group

Mr. Patrizio Fumagalli, aged 46, is the chief strategic officer of the Group. Mr. Fumagalli is based in Phoenix, United States. Mr. Fumagalli is responsible for strategic management of global market development, product portfolio management, supervision of research and development, design and operations, and implementation of overall marketing strategy. Mr. Fumagalli joined the Group in 1998 and has 21 years of experience in management with the Group. Prior to the current position, Mr. Fumagalli had been the general manager of Bestway USA from 2013 to 2017 and of Bestway Europe from 1998 to 2012, respectively, responsible for general management, setup and continuous improvement of sales network, marketing for the North American market and the European market, product development and management of the product design team.

Huang Shuiyong (黃水勇)

Vice president of R&D and manufacturing department of the Group

Mr. Huang Shuiyong (黃水勇), aged 49, is the vice president of R&D and manufacturing department (研發與製造副總裁) of the Group. Mr. Huang is responsible for technology management, production management, product quality management, factory technology improvement and procurement supervision. Mr. Huang joined the Group in December 2003 and has 16 years of experience with the Group. Prior to the current position, Mr. Huang was the manager of research and development department and the general manager of the tertiary processing department of the Group. Prior to joining the Group, Mr. Huang was a technician at Xiamen Tongan Silver City United Brewery (廈門同安銀城聯合啤酒廠) from October 1992 to December 1993. Mr. Huang received secondary education majoring in Light Industrial Machinery at Shanghai Light Industry School (上海市輕工業學校) and graduated in July 1992.

Simone Zesi

General manager of Bestway Europe

Mr. Simone Zesi, aged 39, is the general manager of Bestway Europe. Mr. Zesi is based in Milan, Italy. Mr. Zesi is responsible for marketing management, sales channels, customer service and finance, product compliance and testing, e-commerce operations in Europe, and supervising the Group's branch offices in Italy, France, Germany and Poland. Mr. Zesi joined the Group in 2004 and has 15 years of experience with the Group. Prior to the current position, he worked for Bestway Europe, responsible for ecommerce, after-sales service and business development with various international retail chain stores including OBI GmbH & Co., Lidl Stiftung & Co. KG, ALDI Einkauf GmbH & Co and METRO AG. Mr. Zesi graduated with honors from Universita Cattolica Del Sacro Cuore with a doctor's degree, a major in Foreign Languages and Literatures and a minor in Computer Science and Technology, in July 2004. Mr. Zesi also graduated from the Universita di Bologna Alma Graduate School with a master's degree in General Management in February 2014.

In January 2020, Mr. Zesi obtained an Executive Master degree in Management with the specialization in Innovation and Design Management (Executive Path (Percorso Executive)) from the Graduate School of Business of Politecnico di Milano.

Yan Yu (閆宇)

General manager of global sales division of the Group

Mr. Yan Yu (閆宇), aged 44, is the general manager of global sales division (全球銷售中心總經理) of the Group. Mr. Yan is responsible for the overall management of the global sales division of our Group. Mr. Yan joined the Group in 2000 and has 19 years of experience with the Group. Prior to the current position, Mr. Yan was the sales manager, regional sales vice president and senior sales director of the Group. Mr. Yan graduated from Shanghai University of International Business and Economics (上海對外貿易學院) with a bachelor's degree in Economics majoring in International Trade in July 2000.

Huang Yaoguang (黃耀光)

General manager of R&D centre of the Group

Mr. Huang Yaoguang (黃耀光), aged 37, is the general manager of R&D centre (研發中心總經理) of the Group. Mr. Huang is responsible for new product development, R&D project management, product safety certification, intellectual property rights, quality assurance, and global after-sales service management of the Group. Mr. Huang joined the Group in 2010 and has 9 years of experience with the Group. Prior to the current position, Mr. Huang was the sales manager and regional sales vice president of the Group. Prior to joining the Group, Mr. Huang worked at Home Retail Group Procurement Consultancy (Shanghai) Limited (家悦採購諮詢(上海)有限公司) from January 2007 to February 2009 and was responsible for product procurement, and was the purchasing engineer at Shanghai Sportin Trading Co., Ltd. (上海斯博汀貿易有限公司) from February 2009 to February 2010 and was responsible for product development and supplier management. Mr. Huang graduated from Shanghai Tongji University (上海同濟大學) with a bachelor's degree in International Economics and Trade in July 2004.

Scott Schellhase

General manager of Bestway USA

Mr. Scott Schellhase, aged 51, is the general manager of Bestway USA. Mr. Schellhase is based in Phoenix, United States. Mr. Schellhase is responsible for marketing and sales channel management and general management of Bestway USA. Mr. Schellhase joined the Group in 2007 and has 12 years of experience with the Group. Prior to the current position, Mr. Schellhase worked in the Group's sales department. Prior to joining the Company, Mr. Schellhase had worked at Funrise Toy Corporation from 1996 to 2007 and served as the executive vice president at the time of his departure. Mr. Schellhase graduated from North Tama High School in May 1986.

Zhang Yong (張勇)

Deputy general manager of finished goods production of the Group

Mr. Zhang Yong (張勇), aged 45, is the deputy general manager of finished goods production department (三次加工事業部常務副總經理) of the Group. Mr. Zhang is responsible for manufacturing and technology management, factory production management, quality management in the finished goods production department of the Group. Mr. Zhang joined the Group in 1999 and has 20 years of experience with the Group. Prior to the current position, Mr. Zhang was the workshop manager, the assistant to the head of factory and the head of factory of the subsidiaries of the Group. Mr. Zhang received tertiary education majoring in Silkworms Studies at Anhui Agricultural University (安徽農業大學) and graduated in July 1996.

Cristobal Achurra Staplefield

General manager of Bestway Central & South America

Mr. Cristobal Achurra Staplefield, aged 44, is the general manager of Bestway Central & South America. Mr. Achurra is based in Santiago, Chile. Mr. Achurra is responsible for promotion and sales channel management and general management of sales and after-sales services in Latin America. Mr. Achurra joined the Group in 2002 and has 17 years of experience with the Group. Prior to the current position, Mr. Achurra was a sales manager and a commercial manager of Bestway Central & South America Ltd from 2002 to 2014. Mr. Achurra graduated from Escuela de Administración Agricola de Paine, with a bachelor's degree of Superior Level of Techics of Agricultural Administration in November 2000.

Wang Hui (王輝)

Head of capital market of the Group

Mr. Wang Hui (王輝), aged 38, joined the Group as head of Capital Market in December 2017. Mr. Wang is responsible for the capital operation, corporate finance and investor relations of the Group. Mr. Wang works in the Group's Hong Kong office and reports to the Chief Executive Officer of the Group. Prior to joining the Group, Mr. Wang was an executive director and chief financial officer of Longitech Smart Energy Holding Limited (stock code: 01281) from September 2015 to August 2017. Prior to that, Mr. Wang has over 14 years of experience in capital market, corporate finance and bank financing in Hong Kong and Mainland China. He served in various financial institutions including Standard Chartered Bank, UBS, Credit Suisse and China International Capital Corporation where he executed transactions on initial public offering, merger and acquisition, overseas bond offering and overseas bank financing. Mr. Wang holds a bachelor's degree in Economics from Fudan University.

JOINT COMPANY SECRETARIES

Zhao Wei (趙煒)

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

Mr. Zhao, aged 51, is the general manager of Bestway Hong Kong. Mr. Zhao is responsible for overall operational management, financial management and sales support of Bestway Hong Kong. Mr. Zhao joined the Company in 1999 and has 20 years of experience with the Group. Prior to joining the Company, Mr. Zhao was the export manager at Hong Kong Unisia Products Company Ltd. from December 1996 to October 1999 and was responsible for sales. Mr. Zhao graduated from East China Normal University (華東師範大學) with a bachelor's degree in International Finance in July 1991.

Choy Yee Man (蔡綺文)

Ms. Choy Yee Man (蔡綺文) was appointed as a joint company secretary of the Company on May 15, 2017. She has been a director of corporate services division of Tricor Services Limited since January 1, 2013, where she leads a team of professional staff to provide a full range of company secretary services. She has over 20 years of experience in the corporate services industry. Ms. Choy is currently the joint company secretary of A-Living Services Co., Ltd (stock code: 3319), a company listed on the Stock Exchange. She is also the company secretary of Yangtze Optical Fibre and Cable Joint Stock Limited Company* (長飛光纖光纜股份有限公司) (stock code: 6869) and Pujiang International Group Limited (stock code: 2060). Ms. Choy received a bachelor of arts degree in accountancy from City Polytechnic of Hong Kong (now known as City University of Hong Kong) in November 1992. Ms. Choy has been a fellow member of the Hong Kong Institute of Chartered Secretaries since October 2012 and the Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators) in the United Kingdom since October 2012.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Bestway Global Holding Inc. (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 99 to 196, which comprise:

- the consolidated statement of financial position as at December 31, 2019;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
Tel: +852 2289 8888, Fax: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

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

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

- Revenue recognition: Revenue from contracts with customers

- Allowance for impairment of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition: Revenue from contracts with customers Refer to Notes 2.26 and 6 to the consolidated financial statements. During the year ended December 31, 2019, the Group has recognised revenue from sales of products amounting to US$934.6 million. Revenue is recognised when control of the underlying products have been transferred to the customers. We focused on this area due to the huge volume of revenue transactions generated from sales of numerous kinds of products in many different locations. There is potential misstatement on occurrence and cut-off of the revenue transactions.	We understood, evaluated and validated management's controls in respect of the Group's process to recognise revenue from sales of products, from customer order's approval, bills of lading, sales recording, reconciliation of cash receipts and customer's records through to subsequent settlement of trade receivables. In addition, we tested the general control environment of the Group's information technology systems and the automated controls that were related to revenue recording. We conducted testing of revenue recorded covering different locations and customers, using sampling techniques, by examining the relevant supporting documents including customer orders, invoice, bills of lading and cash receipts. In addition, we sent confirmations regarding the customers' balances as at year end and sales transactions during the year on a sample basis. Furthermore, we tested sales transactions that took place shortly before and after the balance sheet date, by reconciling recognised revenue with the bills of lading, to assess whether revenue was recognised in the correct reporting periods. Based on the work performed, we found the Group's revenue from sales of products being tested were recognised in a manner consistent with the Group's revenue recognition accounting policy.

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Allowance for impairment of trade receivables Refer to Notes 2.11.4, 3.1(b)(ii) and 25 to the consolidated financial statements. As at December 31, 2019, the Group's trade receivables is US$195.0 million, and the allowance for impairment of trade receivables of the Group is US$4.6 million. Management applied the simplified approach permitted by HKFRS 9 to assess expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. We focused on this area due to the significance of the balances of trade receivables from different locations and the related allowance for impairment, and the involvement of management's significant judgements and estimates of the allowance for impairment.	We understood, evaluated and tested management's controls in respect of assessing impairment of trade receivables. We obtained the detailed listings of trade receivables together with the aging analysis and agreed the balances to the general ledgers for those operating entities which have been identified as significant components to the Group. We tested the aging analysis on sample basis by checking to relevant supporting documents, including sales invoices, sales contracts, and bills of lading. We inquired with management and assessed the reasonableness of their judgements on the recoverability of trade receivables, with a focus on those past due long ageing receivable balance, primarily based on the information and evidence collected by management for the purpose of their assessment. We performed subsequent settlement tests to agree the relevant trade receivable balances to post year end cash receipts. We assessed the appropriateness of the management's grouping of trade receivables by considering their credit risks. We evaluated the reasonableness of the default rates of different groups by considering the actual losses incurred and whether the expected loss rates were assessed by the management based on the default rates with considering the forward-looking elements, evidence from external resources including the relevant public search results relating to financial circumstances of the customers and expected behaviour including method of payment or payment periods. Based upon the above, we considered that management had made reasonable judgements and estimates that were supported by the available evidence for their assessment of the allowance for impairment.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Financial Highlights, Chairman's Statement and Management Discussion and Analysis (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and Corporate Profile, Global Presence, Products Overview, Environmental, Social and Governance Report, Investors Relations, Corporate Governance Report, Report of the Directors and Biographies of Directors and Senior Management, which are expected to be made available to us after that date.

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

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

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

When we read Corporate Profile, Global Presence, Products Overview, Environmental, Social and Governance Report, Investors Relations, Corporate Governance Report, Report of the Directors and Biographies of Directors and Senior Management, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Audit Committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2019

	Note	2019 US$	2018 US$
Revenue from contracts with customers	6	**934,626,618**	865,281,075
Cost of sales	6,9	**(686,627,056)**	(634,712,787)
Gross profit		**247,999,562**	230,568,288
Selling and distribution expenses	9	**(106,162,884)**	(84,432,466)
General and administrative expenses	9	**(75,237,596)**	(70,668,029)
Net impairment losses on financial assets		**(3,094,179)**	(734,099)
Other income	7	**14,808,080**	17,764,192
Other expenses	7	**(6,841,295)**	(6,515,478)
Other gains/(losses) – net	8	**3,821,357**	(21,128,048)
Operating profit		**75,293,045**	64,854,360
Finance income		**–**	479,183
Finance expenses		**(15,384,358)**	(9,986,646)
Finance expenses – net	11	**(15,384,358)**	(9,507,463)
Profit before income tax		**59,908,687**	55,346,897
Income tax expense	12	**(12,332,781)**	(11,799,064)
Profit for the year		**47,575,906**	43,547,833
Profit attributable to:			
Shareholders of the Company		**44,715,005**	43,059,483
Non-controlling interests		**2,860,901**	488,350
		47,575,906	43,547,833
Earnings per share for profit attributable to shareholders of the Company for the year			
– Basic earnings per share	13	**0.0422**	0.0407
– Diluted earnings per share	13	**0.0422**	0.0406

The notes on pages 106 to 196 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2019

	2019 US$	2018 US$
Profit for the year	**47,575,906**	43,547,833
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	**(8,960,340)**	(21,769,189)
Other comprehensive income for the year, net of tax	**(8,960,340)**	(21,769,189)
Total comprehensive income for the year	**38,615,566**	21,778,644
Attributable to:		
– Shareholders of the Company	**35,738,582**	21,274,056
– Non-controlling interests	**2,876,984**	504,588
Total comprehensive income for the year	**38,615,566**	21,778,644

The notes on pages 106 to 196 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

		As at December 31	
		2019	**2018**
	Note	**US$**	US$
Assets			
Non-current assets			
Land use rights	16	**–**	34,359,812
Property, plant and equipment	17	**303,867,108**	295,739,921
Right-of-use assets	18	**39,818,377**	–
Investment properties	19	**9,384,023**	8,477,978
Intangible assets	20	**808,247**	1,042,848
Deferred tax assets	21	**5,227,224**	4,632,922
Financial assets at fair value through other comprehensive income	23	**649,231**	643,539
Prepayments and other receivables	26	**2,471,158**	2,511,845
		362,225,368	347,408,865
Current assets			
Inventories	24	**304,905,540**	331,024,863
Contract assets	6	**158,585**	35,093
Trade receivables	25	**190,416,358**	209,219,454
Prepayments and other receivables	26	**39,136,876**	44,540,962
Financial assets at fair value through profit or loss	27	**517,203**	17,542,213
Derivative financial instruments	28	**1,591,113**	1,031,011
Restricted cash	29	**9,279,173**	9,280,173
Cash and cash equivalents	29	**59,304,050**	31,574,293
		605,308,898	644,248,062
Total assets		**967,534,266**	991,656,927

Consolidated Statement of Financial Position

As at December 31, 2019

	Note	As at December 31 2019 US$	2018 US$
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	30	**1,355,633**	1,355,633
Share premium	30	**140,636,893**	140,636,893
Other reserves	31	**291,180,977**	267,337,647
		433,173,503	409,330,173
Non-controlling interests		**2,344,618**	(421,456)
Total equity		**435,518,121**	408,908,717
Liabilities			
Non-current liabilities			
Bank borrowings	33	**111,981,460**	21,218,752
Lease liabilities	18	**1,221,099**	–
Deferred tax liabilities	21	**806,372**	744,426
Other payables and accruals	37	**4,194,451**	18,294,396
Retirement benefit obligations	34	**557,226**	409,860
Deferred income on government grants	35	**4,741,050**	4,321,769
		123,501,658	44,989,203

Consolidated Statement of Financial Position

As at December 31, 2019

	Note	As at December 31 2019 US$	2018 US$
Current liabilities			
Trade payables	36	**159,738,961**	184,284,396
Other payables and accruals	37	**76,574,402**	89,841,251
Contract liabilities	6	**15,793,786**	13,443,145
Due to related parties	40	**2,358,424**	2,760,157
Current income tax liabilities		**10,066,126**	8,326,916
Bank borrowings	33	**139,959,769**	216,378,091
Lease liabilities	18	**639,942**	–
Derivative financial instruments	28	**3,383,077**	22,725,051
		408,514,487	537,759,007
Total liabilities		**532,016,145**	582,748,210
Total equity and liabilities		**967,534,266**	991,656,927
Net current assets		**196,794,411**	106,489,055
Total assets less current liabilities		**559,019,779**	453,897,920

The notes on pages 106 to 196 form an integral part of these consolidated financial statements.

The consolidated financial statements on page 98 to page 105 were approved by the Board of Directors on March 25, 2020 and were signed on its behalf.

Zhu Qiang
Executive Director

Duan Kaifeng
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2019

		Equity attributable to shareholders of the Company					
	Note	Share capital US$ (Note 30)	Share premium US$ (Note 30)	Other reserves US$ (Note 31)	Total US$	Non-controlling interests US$	Total equity US$
Balance at January 1, 2018		1,355,633	140,636,893	258,753,820	400,746,346	(811,571)	399,934,775
Comprehensive income							
Profit for the year		–	–	43,059,483	43,059,483	488,350	43,547,833
Other comprehensive income							
– Currency translation difference		–	–	(21,785,427)	(21,785,427)	16,238	(21,769,189)
Total comprehensive income		–	–	21,274,056	21,274,056	504,588	21,778,644
Transactions with shareholders							
Employee share option schemes							
– value of employee services	32	–	–	1,598,050	1,598,050	–	1,598,050
Dividends	14	–	–	(14,288,279)	(14,288,279)	(114,473)	(14,402,752)
Transactions with shareholders in total		–	–	(12,690,229)	(12,690,229)	(114,473)	(12,804,702)
Balance at December 31, 2018		1,355,633	140,636,893	267,337,647	409,330,173	(421,456)	408,908,717

Consolidated Statement of Changes in Equity

For the year ended December 31, 2019

	Note	Equity attributable to shareholders of the Company					
		Share capital US$ (Note 30)	Share premium US$ (Note 30)	Other reserves US$ (Note 31)	Total US$	Non-controlling interests US$	Total equity US$
Balance at January 1, 2019		1,355,633	140,636,893	267,337,647	409,330,173	(421,456)	408,908,717
Comprehensive income							
Profit for the year		–	–	44,715,005	44,715,005	2,860,901	47,575,906
Other comprehensive income							
– Currency translation difference		–	–	(8,976,423)	(8,976,423)	16,083	(8,960,340)
Total comprehensive income		–	–	35,738,582	35,738,582	2,876,984	38,615,566
Transactions with shareholders							
Employee share option schemes							
– value of employee services	32	–	–	1,122,957	1,122,957	–	1,122,957
Dividends	14	–	–	(13,018,209)	(13,018,209)	(110,910)	(13,129,119)
Transactions with shareholders in total		–	–	(11,895,252)	(11,895,252)	(110,910)	(12,006,162)
Balance at December 31, 2019		1,355,633	140,636,893	291,180,977	433,173,503	2,344,618	435,518,121

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	Note	For the year ended December 31 2019 US$	2018 US$
Cash flows from operating activities			
Cash generated from operations	38(a)	**122,520,954**	356,280
Interest paid		**(13,826,541)**	(9,256,109)
Income tax paid		**(11,161,859)**	(17,963,049)
Net cash generated from/(used in) operating activities		**97,532,554**	(26,862,878)
Cash flows used in investing activities			
Purchases of property, plant and equipment		**(68,717,926)**	(92,054,703)
Proceeds from disposal of property, plant and equipment	38(b)	**178,555**	485,601
Proceeds from disposal of intangible assets		**–**	8,864
Proceeds from government grants		**642,051**	–
Purchases of land use rights		**–**	(13,383,904)
Purchases of right-of-use assets		**(5,042,731)**	–
Purchase of intangible assets		**(118,878)**	(748,501)
Repayments of deposits for land use rights		**–**	10,612,015
Payments of from derivative financial instruments		**(18,500,926)**	(10,086,579)
Purchase of financial assets at fair value through other comprehensive income		**(5,692)**	(185,903)
Purchase of financial assets at fair value through profit or loss		**(7,761,312)**	(17,416,333)
Proceeds from financial assets at fair value through profit or loss		**25,120,000**	1,149,620
Interest received		**–**	479,183
Net cash used in investing activities		**(74,206,859)**	(121,140,640)
Cash flows from financing activities			
Proceeds from borrowings	38(c)	**329,735,254**	366,863,497
Repayments of borrowings	38(c)	**(311,834,606)**	(283,808,169)
Principal elements of lease payments	38(c)	**(627,744)**	–
Dividends paid to shareholders of the Company		**(13,018,209)**	(14,288,279)
Dividends paid to non-controlling interests		**(110,910)**	(114,473)
Net cash generated from financing activities		**4,143,785**	68,652,576
Net increase/(decrease) in cash and cash equivalents		**27,469,480**	(79,350,942)
Cash and cash equivalents at the beginning of year	29	**31,574,293**	110,737,589
Exchange gain on cash and cash equivalents		**260,277**	187,646
Cash and cash equivalents at the end of year	29	**59,304,050**	31,574,293

The notes on pages 106 to 196 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

1 GENERAL INFORMATION

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

The Company, an investment holding company, and its subsidiaries (together, "the **Group**") are principally engaged in the manufacturing and sales of high quality and leisure products in Europe, North America, People's Republic of China (the "**PRC**") and other global markets.

The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited ("**Stock Exchange**") since November 16, 2017.

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

These consolidated financial statements are presented in United States dollars ("**US$**"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on March 25, 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for the financial assets at fair value through other comprehensive income, and financial assets and liabilities at fair value through profit or loss including derivative financial instruments, which are carried at fair value.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2019:

		Effective for accounting year beginning on or after
HKFRS 16	Leases	January 1, 2019
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation	January 1, 2019
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures	January 1, 2019
HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement	January 1, 2019
HKFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
Annual Improvements to HKFRS Standards 2015-2017 Cycle	HKFRS 3 Business Combinations HKFRS 11 Joint Arrangements HKAS 23 Borrowing Cost	January 1, 2019

The Group had to change its accounting policies as a result of the adoption of HKFRS 16, but not restated comparative for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The impact of the adoption of this standard and accounting policy are disclosed in Note 2.2 below. The other newly adopted standards or amendments listed above did not have material impact on these financial statements.

(b) Certain new accounting standards and interpretations have been published which are not mandatory for 2019 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

		Effective for accounting year beginning on or after
HKFRS 17	Insurance Contracts	January 1, 2021
Amendments to HKAS 1 and HKAS 8	Definition of Material	January 1, 2020
Amendments to HKFRS 3	Definition of a Business	January 1, 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	January 1, 2020
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting polices

This note explains the impact of the adoption of HKFRS 16 Lease on the Group's financial statements and discloses the new accounting policies that have been applied from January 1, 2019 below.

The Group has adopted HKFRS 16 from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on January 1, 2019. The new accounting policies are disclosed in Note 2.28.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5%.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

(a) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 — Determining whether an Arrangement contains a Lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting polices *(Continued)*

(b) Measurement of lease liabilities

	US$
Operating lease commitments disclosed as at December 31, 2018	4,815,776
Less:	
Short-term leases recognised on a straight-line basis as expense	(1,149,528)
Leases terminated in advance	(2,551,696)
	1,114,552
Discounted using the lessee's incremental borrowing rate as at the date of initial application:	
Lease liability recognised as at January 1, 2019	926,797
Of which are:	
Current lease liabilities	143,185
Non-current lease liabilities	783,612
	926,797

(c) Measurement of right-of-use assets

The right-of-use assets were measured at the amount equal to the lease liability adjusted by the amount of any prepaid rental expenses relating to that lease recognised in the balance sheet as at January 1, 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(d) Adjustments recognised in the balance sheet on January 1, 2019

The change in accounting policy affected the following items in the balance sheet on January 1, 2019 (Note 18):

- Right-of-use assets – increase by US$35,286,609
- Land use right – decrease by US$34,359,812
- Current lease liabilities – increase by US$143,185
- Non-current lease liabilities – increase by US$783,612

There is no impact on retained earnings on January 1, 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries

2.3.1 Consolidation

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

(a) Business combination

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.1 Consolidation *(Continued)*

(b) Disposal of subsidiaries

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

2.3.2 Separate financial statements

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

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

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation *(Continued)*

(b) Transactions and balances

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

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

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

(c) Group companies

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment

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

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

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their estimated residual values of 10% over their estimated useful lives, as follows:

– Buildings	10 – 20 years
– Machinery and factory equipment	3 – 10 years
– Vehicles	4 -8 years
– Other equipment and fixtures	3-10 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

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

Construction-in-progress ("**CIP**") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, costs of plant and machinery, and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for the intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Investment properties

Investment properties, principally leasehold office buildings, are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, the Group chooses the cost model to measure all of its investment properties, which are stated at historical costs less accumulated depreciation and accumulated impairment losses, if any. Depreciation of building is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives from 10 to 20 years.

The investment properties' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An investment properties' carrying amount is written down immediately to its recoverable amount if the investment properties' carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the consolidated statement of profit or loss.

2.8 Land use rights

All land in the PRC and Vietnam is state-owned or collectively-owned and no individual land ownership right exists. The Group's interests in land use rights represent prepaid operating lease payments, which are amortised over the lease terms of 39.5-50 years using the straight-line method.

As disclosed in Note 2.2, the Group has adopted HKFRS 16 Leases from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications from land use rights to right-of-use assets arising from the new leasing standards are therefore recognised in the opening balance sheet on January 1, 2019.

2.9 Intangible assets

(a) Licences

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

(b) Computer software

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Impairment of non-financial assets

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

2.11 Investments and other financial assets

2.11.1 Classification

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 ("**FVOCI**").

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

2.11.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Investments and other financial assets *(Continued)*

2.11.3 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.

- Fair value through 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Investments and other financial assets *(Continued)*

2.11.3 Measurement *(Continued)*

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.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

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 statement of profit or loss.

2.11.4 Impairment

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, see Note 3.1 (b) for further details.

2.12 Offsetting financial instruments

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

2.13 Derivative financial instruments

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Inventories

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

2.15 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.11.4 for a description of the Group's impairment policies.

2.16 Cash and cash equivalents

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

2.17 Share capital

Ordinary shares are classified as equity.

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

2.18 Trade and other payables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Borrowings

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

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

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

2.20 Borrowing costs

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

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

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

2.21 Current and deferred income tax

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

(a) Current income tax

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Current and deferred income tax *(Continued)*

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

(c) Offsetting

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

2.22 Employee benefits

(a) Pension obligations

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Employee benefits *(Continued)*

(b) Other employee benefits

In addition to pension obligation, all PRC employees of the Group participate in various employee social security plans, including medical, housing and other welfare benefits, organised and administered by the governmental authorities. According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Group are calculated based on percentages of the total salary of employees (or on other basis), subject to a certain ceiling, and are paid to the labour and social welfare authorities. The Group has no further payment obligations once the contributions have been paid. The Group's contributions to these plans are charged to the consolidated statements of profit or loss as incurred.

(c) Other post-employment obligations

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Share-based Payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. Information relating to the scheme is set out in Note 32.

Employee options

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Provisions

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

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

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

2.25 Government grants

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Revenue recognition

Sales of products

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.

The Group rarely sold products with discounts. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated discounts. Accumulated experience is used to estimate and provide for the discounts, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

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, and revenue is only recognised to the extent that is highly probable that no products will be expected to be returned. Meanwhile, the refund liability and an asset for its right to recover products from customers should be recognised.

The refund liability represents the obligation to provide refunds and credits to customers. The liability is reported as a contract liability. The asset represents the entity's right to receive goods back from the customer. The asset is reported as a contract asset. The return asset is presented separately from the refund liability in the consolidated statement of financial position.

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.

The Group does not expect to have any contracts where the period between the transfer of the promised goods and services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the statement of profit or loss as part of other income, see Note 7 below.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.28 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Until December 31, 2018, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.28 Leases *(Continued)*

The lease payments are discounted using incremental borrowing rate of the Group which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Extension options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 7). The respective leased assets are included in the consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a resulting of adopting the new leasing standard.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.29 Research and development costs

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

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

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

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

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

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

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

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

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

2.30 Dividend distribution

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US$ for certain PRC subsidiaries whose functional currency are Renminbi ("**RMB**"). Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts, transacted mostly by group treasury.

Exposure

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

	At December 31, 2019		
In US$	**US$**	**HKD**	**RMB**
Cash	**13,669,634**	**926,084**	**2,723,664**
Bank borrowings	**25,259,391**	**–**	**–**
Trade payables	**33,199,194**	**–**	**–**
Derivatives financial instruments-assets	**1,591,113**	**–**	**–**
Derivatives financial instruments-liabilities	**3,383,077**	**–**	**–**

	At December 31, 2018		
In US$	**US$**	**HKD**	**RMB**
Cash	8,805,029	2,475,979	1,497,199
Bank borrowings	63,430,809	–	–
Trade payables	65,714,823	–	–
Derivatives financial instruments-assets	1,031,011	–	–
Derivatives financial instruments-liabilities	22,725,051	–	–

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign exchange risk *(Continued)*

Amounts recognised in profit or loss

The aggregate net foreign exchange gains/(losses) recognised in profit or loss were:

	For the year ended December 31	
	2019	**2018**
	US$	US$
Net foreign exchange gains included in other gains/(losses) (Note 8)	**2,543,243**	7,886,363
Exchange losses in finance costs (Note 11)	**(1,409,075)**	(1,568,988)
Total net foreign exchange gains recognised in profit before income tax for the period	**1,134,168**	6,317,375

Sensitivity

As at December 31, 2019 and 2018, if RMB had weakened/strengthened by 5% against US$, with all other variables held constant, post-tax profit for each year would have changed mainly as a result of foreign exchange gains/(losses) on translation of US$ denominated cash and cash equivalents, trade payables and bank borrowings in RMB functional currency subsidiaries. Details of the changes are as follows:

	For the year ended December 31	
	2019	**2018**
	US$	US$
For the year:		
Post-tax profit increase/(decrease)		
– Weakened 5% against US$	**(1,723,686)**	(4,535,187)
– Strengthened 5% against US$	**1,723,686**	4,535,187

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign exchange risk (Continued)

Sensitivity (Continued)

As at December 31, 2019 and 2018, if RMB had weakened/strengthened by 5% against US$, with all other variables held constant, other comprehensive income for each year would have changed mainly as a result of the translation of financial statements of RMB functional currency subsidiaries to US$. Details of the changes are as follows:

	For the year ended December 31	
	2019	**2018**
	US$	US$
Year ended:		
Other comprehensive income (decrease)/increase		
– Weakened 5% against US$	**(22,136,498)**	(22,156,455)
– Strengthened 5% against US$	**22,136,498**	22,156,455

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk, and if at fixed rates expose the Group to fair value interest-rate risk. The interest rates and terms of bank borrowings are disclosed in Note 33.

As at December 31, 2019 and 2018, if interest rates on borrowings had been 10 basis points higher/lower with all other variables held constant, the impact on the post-tax profit for each year is immaterial.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

The Group has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents, financial assets at amortised cost, at fair value through comprehensive income (FVOCI) and at fair value through profit or loss (FVPL), favourable derivative financial instruments and deposits with banks and financial institutions.

(i) Risk management

The Group has more than 2,000 customers and does not rely on the orders from certain customers. So the Group has no significant concentration of credit risk. The Group generally grants credit terms of less than 120 days to its customers and 240 days for some strategic customers. The Group's management performs periodic credit evaluations/reviews of its customers and ensure that sales are made to customers with an appropriate credit history.

To lower the Group's exposure to credit risk, the Group may request 30% -100% deposits from certain of their customers before delivery of goods. In addition, the Group has purchased insurance from China Export and Credit Insurance Corporation ("**Sinosure**") for most receivables. Sinosure will compensate the Group 90% of uncollected receivables.

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

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

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

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

Group 3: Other commercial banks

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(i) Risk management (Continued)

	2019	**2018**
	US$	US$
Group1	**14,517,875**	12,972,017
Group2	**12,292,649**	11,590,441
Group3	**41,703,357**	16,175,720
Total	**68,513,881**	40,738,178

For favourable derivative financial instruments, the management made agreements with bank defined as Group 1 mentioned above and institutions with great credit without any obligations or payments before maturity date.

The financial assets at fair value through comprehensive income (FVOCI) and at fair value through profit or loss (FVPL) are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

The financial assets at amortized cost includes deposits, export tax refund and others. According to historical experience, the management considers the financial assets at amortized cost are low credit risk.

(ii) Impairment of financial assets

Impairment of trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the ageing days.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before December 31, 2019 or December 31, 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets (Continued)

Impairment of trade receivables (Continued)

On that basis, the loss allowance as at December 31 was determined as follows for trade receivables:

December 31, 2019	Within 90 days	91 days to 180 days	181 days to 360 days	Over 1 year	Total
Expected loss rate	0.75%	1.71%	6.91%	100.00%	
Gross carrying amount – trade receivables	132,653,943	22,912,306	38,927,790	519,237	195,013,276
Loss allowance	994,542	391,365	2,691,774	519,237	4,596,918

December 31, 2018	Within 90 days	91 days to 180 days	181 days to 360 days	Over 1 year	Total
Expected loss rate	0.73%	1.33%	1.86%	4.79%	
Gross carrying amount – trade receivables	133,298,889	30,814,255	47,210,782	160,148	211,484,074
Loss allowance	970,965	408,857	877,133	7,665	2,264,620

The closing loss allowance for trade receivables as at 31 December is reconciled to the opening loss allowance as follows:

	For the year ended December 31	
	2019	2018
	US$	US$
Opening loss allowance at January 1	(2,264,620)	(1,530,345)
Increase in loss allowance recognised in profit or loss during the year	(2,277,666)	(735,944)
Currency translation differences	(54,632)	1,669
Closing loss allowance at December 31	(4,596,918)	(2,264,620)

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 of greater than 1 year past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets (Continued)

Impairment of other financial assets at amortised cost

Other financial assets at amortised cost include other receivables. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. The impact of other financial assets at amortised cost is immaterial and disclosed in Note 26.

(c) Liquidity risk

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

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.

(i) Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	As at December 31	
	2019	**2018**
	US$	US$
Floating rate:		
– Expiring beyond one year	**82,200,260**	18,895,280
Fixed rate:		
– Expiring within one year	**227,878,651**	140,266,823
	310,078,911	159,162,103

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

(ii) Maturities of financial liabilities

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	US$	US$	US$	US$
At December 31, 2019				
Bank borrowings	**139,959,769**	**55,689,608**	**56,291,852**	**251,941,229**
Interest payables for bank borrowings	**9,137,930**	**5,573,969**	**1,078,094**	**15,789,993**
Lease liabilities	**732,994**	**673,398**	**638,508**	**2,044,900**
Trade payables	**159,738,961**	**–**	**–**	**159,738,961**
Other payables	**40,418,621**	**3,594,965**	**–**	**44,013,586**
Due to related parties	**2,358,424**	**–**	**–**	**2,358,424**
	352,346,699	**65,531,940**	**58,008,454**	**475,887,093**
At December 31, 2018				
Bank borrowings	216,378,091	–	21,218,752	237,596,843
Interest payables for bank borrowings	4,737,822	1,209,133	882,072	6,829,027
Trade payables	184,284,396	–	–	184,284,396
Other payables	56,265,889	17,307,242	576,609	74,149,740
Due to related parties	2,760,157	–	–	2,760,157
	464,426,355	18,516,375	22,677,433	505,620,163

3.2 Capital management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total net debt divided by total equity. Total net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents and restricted cash. Total equity is 'equity' as shown in the consolidated statement of financial position.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management *(Continued)*

The gearing ratios as at December 31, 2019 and 2018 were as follows:

	As at December 31	
	2019	**2018**
	US$	US$
Bank borrowings (Note 33)	**251,941,229**	237,596,843
Less: Cash and cash equivalents (Note 29)	**(59,304,050)**	(31,574,293)
Restricted cash (Note 29)	**(9,279,173)**	(9,280,173)
Total net debt	**183,358,006**	196,742,377
Total equity	**435,518,121**	408,908,717
Gearing ratio	**42%**	48%

Gearing ratio decreased by 6% with 2018 mainly due to the Group improved cash flow from operating activities in 2019 and held more cash and cash equivalents as of December 31, 2019.

3.3 Fair value estimation

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

The following table presents the Group's assets and liabilities that are measured at fair value as at December 31, 2019 and 2018.

	Level 2 US$	Level 3 US$	Total US$
At December 31, 2019			
Financial assets at fair value through other comprehensive income (Note 23)			
– Unlisted equity interests	**–**	**649,231**	**649,231**
Financial assets at fair value through profit or loss (Note 27)			
– Wealth management products	**517,203**	**–**	**517,203**
Derivative financial instruments (Note 28)			
– Forward foreign exchange contracts	**1,591,113**	**–**	**1,591,113**
Total assets	**2,108,316**	**649,231**	**2,757,547**
Derivative financial instruments (Note 28)			
– Forward foreign exchange contracts	**3,383,077**	**–**	**3,383,077**
Total liabilities	**3,383,077**	**–**	**3,383,077**
At 31 December 2018			
Financial assets at fair value through other comprehensive income (Note 23)			
– Unlisted equity interests	–	643,539	643,539
Financial assets at fair value through profit or loss (Note 27)			
– Wealth management products	422,213	–	422,213
– Investment fund	17,120,000	–	17,120,000
Derivative financial instruments (Note 28)			
– Forward foreign exchange contracts	1,031,011	–	1,031,011
Total assets	18,573,224	643,539	19,216,763
Derivative financial instruments (Note 28)			
– Forward foreign exchange contracts	22,725,051	–	22,725,051
Total liabilities	22,725,051	–	22,725,051

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

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.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Valuation techniques used to determine fair value (Level 2)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques

Fair value measurements using significant unobservable inputs (Level 3)

For the Group's investments in equity securities in level 3 that are not publicly traded, the Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date to assess the fair value.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(a) Useful lives of property, plant and equipments

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

(b) Income taxes and deferred tax assets/liabilities

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

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

(c) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(d) Net realisable value of inventories

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

5 SEGMENT INFORMATION

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

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

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

	For the year ended December 31	
	2019	**2018**
	US$	US$
Europe (i)	**498,470,160**	407,570,231
North America (ii)	**241,937,543**	252,149,607
Asia Pacific (iii)	**71,180,049**	80,778,484
Including: Mainland China	**22,090,043**	26,242,170
Rest of the world (iv)	**123,038,866**	124,782,753
Total	**934,626,618**	865,281,075

No individual customer's revenue exceeds 10% of the Group's total revenue for each of the years ended December 31, 2019 and 2018.

5 SEGMENT INFORMATION *(Continued)*

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

	As at December 31	
	2019	**2018**
	US$	US$
Europe (i)	**3,917,455**	2,122,977
North America (ii)	**3,149,845**	3,203,053
Asia Pacific (iii)	**349,074,569**	336,806,239
Including: Mainland China	**340,475,925**	336,733,455
Rest of the world (iv)	**207,044**	135
Total	**356,348,913**	342,132,404

Note:

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

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

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

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

6 REVENUE FROM CONTRACTS WITH CUSTOMERS AND COST OF SALES

	For the year ended December 31			
	2019		**2018**	
	Revenue	**Cost of sales**	**Revenue**	**Cost of sales**
	US$	**US$**	US$	US$
Above-ground Pools & Portable Spas	**449,551,889**	**332,061,534**	372,973,563	281,578,203
Recreation Products	**189,630,615**	**135,805,635**	187,474,819	131,544,324
Camping Products	**176,139,829**	**139,116,930**	185,517,360	139,861,604
Sporting Products	**119,304,285**	**79,642,957**	119,315,333	81,728,656
	934,626,618	**686,627,056**	865,281,075	634,712,787

6 REVENUE FROM CONTRACTS WITH CUSTOMERS AND COST OF SALES *(Continued)*

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at December 31	
	2019	**2018**
	US$	US$
Current contract assets relating to its right to recover products from customers on settling the refund liability (i)	**158,585**	35,093
Loss allowance	**–**	–
Total contract assets	**158,585**	35,093
Contract liabilities – advance from customers (ii)	**15,563,952**	13,393,013
Contract liabilities – a refund liability for right of sales return (i)	**229,834**	50,132
Total contract liabilities	**15,793,786**	13,443,145

Note:

(i) The assets and liabilities are remeasured at each reporting date and adjusted for changes in expectations about the amount of refunds as follow:

- adjustments to the refund liabilities are recognised in revenue.
- adjustments to the asset are recognised in cost of goods sold.

(ii) Contract liabilities relating to advance from customers were recognised as revenue when the control of products were transferred to the customers in 2019. Total amount of contract liabilities of US$13,393,013 of December 31, 2018 and US$11,134,478 as of January 1,2018 has been recognised as revenue for the years ended December 31, 2019 and 2018.

7 OTHER INCOME AND EXPENSES

Other income

	For the year ended December 31	
	2019	**2018**
	US$	US$
Rental and related services income (i)	**4,783,338**	2,659,562
Government grants	**2,231,001**	3,521,707
Sales of raw materials and scraps	**7,053,901**	7,357,758
Interest Income	**526,959**	–
Marketing compensation (ii)	**–**	3,881,350
Others	**212,881**	343,815
	14,808,080	17,764,192

Other expenses

	For the year ended December 31	
	2019	**2018**
	US$	US$
Cost of raw materials and scraps	**5,847,201**	6,225,857
Depreciation of investment properties	**720,263**	188,649
Other expenses related to rental and related service income	**273,831**	100,972
	6,841,295	6,515,478

Note:

(i) The Group leased out its premise to a third party and provided related services.

(ii) The Group recognised as income for the compensation received from strategic partners which were paid to compensate the Group's past marketing efforts.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

8 OTHER GAINS/(LOSSES) – NET

	For the year ended December 31	
	2019	**2018**
	US$	US$
Financial assets at fair value through profit or loss		
– Fair value gains	**238,688**	125,880
Derivative financial instruments		
– Unrealised fair value changes on derivative financial instruments	**19,827,881**	(19,961,159)
– Realised losses on derivative financial instruments	**(18,426,731)**	(10,111,903)
Losses on disposal of property, plant and equipment	**(2,213,441)**	(389,330)
Net foreign exchange gains	**2,543,243**	7,886,363
Others	**1,851,717**	1,322,101
	3,821,357	(21,128,048)

9 EXPENSES BY NATURE

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

	For the year ended December 31	
	2019	**2018**
	US$	US$
Raw materials and consumables used	**537,433,637**	531,828,280
Change in work-in-progress and finished goods	**(4,188,910)**	(69,844,009)
Wages and salaries, social welfare and benefits, including director's emoluments (Note 10)	**151,308,452**	157,995,234
Transportation expenses	**36,115,028**	27,365,064
Depreciation and amortisation	**25,337,698**	18,034,525
Service fees and commissions	**22,239,630**	17,583,196
Utility fee	**18,866,137**	18,556,629
Processing fee	**12,720,333**	24,139,083
Advertising and promotion expenses	**11,302,055**	9,616,976
Maintenance and repair	**7,648,702**	8,869,719
Research and development expenses	**7,492,050**	7,801,904
Royalty expenses	**6,796,594**	6,056,265
After-sale services	**3,606,294**	3,111,271
Auditors' remuneration	**613,214**	608,068
Write-down of inventories	**421,122**	625,323
Other expenses	**30,315,500**	27,465,754
	868,027,536	789,813,282

10 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTOR'S EMOLUMENTS

	For the year ended December 31	
	2019	**2018**
	US$	US$
Salaries, wages and bonuses	**125,298,493**	132,081,548
Pension, housing fund, medical insurance and other welfare benefits	**24,751,602**	24,201,889
Share options granted to employee (Note 32)	**1,122,957**	1,598,050
Post-retirement benefits (Note 34)	**135,400**	113,747
Total employee benefit expenses	**151,308,452**	157,995,234

(a) Pension costs – defined contribution plans

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

(b) Five highest paid individuals

The five highest paid individuals of the Group during the years ended December 31, 2019 and 2018 include 1 and 1 director, respectively, details of whose emoluments are reflected in the analysis shown in Note 44. Details of the total emoluments paid to the remaining 4 highest paid employees were as follows:

	For the year ended December 31	
	2019	**2018**
	US$	US$
Salaries, wages and bonuses	**1,919,207**	1,713,474
Pension, housing fund, medical insurance and other welfare benefits	**282,414**	325,881
Total employee benefit expense	**2,201,621**	2,039,355

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

(b) Five highest paid individuals *(Continued)*

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

	For the year ended December 31	
	2019	**2018**
Emolument bands		
Within HKD1,000,000	**–**	–
HKD1,000,001 to HKD1,500,000	**1**	1
Above HKD2,000,000	**3**	3
Total	**4**	4

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

11 FINANCE EXPENSES – NET

	For the year ended December 31	
	2019	**2018**
	US$	US$
Finance expenses:		
– Interest expenses on bank borrowings	**(14,458,313)**	(8,887,460)
– Interest expense on discounted notes payables	**(224,110)**	–
– Interest expenses on retirement benefit obligations	**(41,178)**	(22,444)
– Interest expenses on lease liabilities	**(113,579)**	–
– Foreign exchange losses on financing activities	**(1,409,075)**	(1,568,988)
Less: amounts capitalised on qualifying assets	**861,897**	492,246
	(15,384,358)	(9,986,646)
Finance income:		
– Interest income derived from bank deposits	**–**	479,183
Finance expenses – net	**(15,384,358)**	(9,507,463)

12 INCOME TAX EXPENSE

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

	For the year ended December 31	
	2019	**2018**
	US$	US$
Current income tax	**13,505,440**	11,782,091
Deferred income tax (Note 21)	**(568,288)**	16,973
Annual tax filing difference in prior year	**(604,371)**	–
Income tax expenses	**12,332,781**	11,799,064

(a) Cayman Islands profits tax

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

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

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

(c) Hong Kong profits tax

The Company's subsidiaries, Bestway Enterprise Company Limited and Bestway (Hong Kong) International Limited, are subject to Hong Kong profits tax. The applicable Hong Kong profits tax rate is 16.5% during the years ended December 31, 2019 and 2018.

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

CIT is provided on the assessable income of entities within the Group incorporated in the PRC. The applicable CIT tax rate is 25% except for a subsidiary which is qualified as High and New Technology Enterprises ("**HNTE**") and is entitled to enjoy a beneficial tax rate of 15% from 2019 to 2021, and another subsidiary which is identified as Small and Micro Enterprises and is entitled to enjoy a beneficial tax rate of 20% in 2019.

12 INCOME TAX EXPENSE *(Continued)*

(e) Other overseas profits tax

Overseas profits tax has been provided at the rates of taxation prevailing in other countries in which the Group operates, with the range from 9% to 41%, during the years ended December 31, 2019 and 2018.

The Company's subsidiary, Bestway (Vietnam) Recreation Limited, has preferential tax rate 10% in 15 years, from the first year it generates revenue from business activities, and is exempted from income tax for four years and entitled to a 50% reduction in income tax for the subsequent 9 years since the first year of arising taxable income from principle activities.

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

	For the year ended December 31	
	2019	**2018**
	US$	US$
Profit before income tax	**59,908,687**	55,346,897
Tax calculated at applicable tax rates	**15,715,749**	13,298,148
Income not subject to profits tax	**(50,249)**	(5,875)
Expenses not deductible for tax purpose	**279,612**	279,267
Tax benefit from HNTE qualification	**(1,695,019)**	(2,198,484)
Additional deduction of research and development expenses	**(1,160,949)**	(500,648)
Unrecognised tax losses	**110,255**	926,656
Utilisation of unrecognised tax losses in prior year	**(262,247)**	–
Annual tax filling difference in prior year	**(604,371)**	–
Income tax expense	**12,332,781**	11,799,064

13 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 the year ended December 31, 2019 and 2018.

	For the year ended December 31	
	2019	**2018**
	US$	US$
Profit attributable to the shareholders of the Company	**44,715,005**	43,059,483
Weighted average number of ordinary shares in issue	**1,058,391,000**	1,058,391,000
Basic earnings per share	**0.0422**	0.0407

(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 year ended December 31	
	2019	**2018**
	US$	US$
Profit attributable to the shareholders of the Company	**44,715,005**	43,059,483
Weighted average number of ordinary shares in issue	**1,058,391,000**	1,058,391,000
Adjustments for share options	**1,156,195**	2,155,275
	1,059,547,195	1,060,546,275
Diluted earnings per share	**0.0422**	0.0406

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

14 DIVIDENDS

	For the year ended December 31	
	2019	**2018**
	US$	US$
Final dividend paid for the year ended December 31, 2018 of US$0.0123 (2017: US$0.0135) per fully paid share	**13,018,209**	14,288,279
Proposed final dividend (i)	**8,890,484**	13,018,209

Note:

(i) A proposed final dividend in respect of the year ended December 31, 2019 of US$0.0084 (2018: US$0.0123) per fully paid share, amounting to a total dividend of US$8,890,484 (2018: US$13,018,209) is to be presented for approval at the annual general meeting of the Company on May 20, 2020. These financial statements do not reflect this as dividend payable.

15 SUBSIDIARIES

The investment in subsidiaries are stated at cost. The following sets out the details of the principal subsidiaries of the Company as at December 31, 2019 and 2018:

Company name	Date of incorporation	Country/Place of incorporation and type of legal entity	Registered share capital	Paid up share capital	Directly and indirectly held December 31, 2018	Directly and indirectly held December 31, 2019	Principal activities and place of operation	Note
Bestway Resources Group Company Limited	June 26, 2012	British Virgin Islands, limited liability company	Hong Kong Dollar ("**HKD**") 1,284,894,418	HKD1,284,894,418	100%	**100%**	Investment holding company in British Virgin Islands	(i)
Bestway Enterprise Company Limited	April 3, 2003	British Virgin Islands, limited liability company	US$140,550,000	US$140,550,000	100%	**100%**	Investment holding company and trading of inflatable products and related products in Hong Kong	
Bestway (Hong Kong) International Limited	June 2, 2004	Hong Kong, limited liability company	HKD50,000	HKD50,000	100%	**100%**	Investment holding company and trading of inflatable products and related products in Hong Kong	
Bestway (USA) Holdings, LLC	April 29, 2015	United States, limited liability company	US$3,284,058	US$3,284,058	99.5%	**99.5%**	Investment management in United States	
Bestway (Nantong) Recreation Corp.	February 2, 2007	Jiangsu, China, wholly owned foreign enterprise	US$202,350,000	US$201,927,269	100%	**100%**	Manufacturing and trading of inflatable products and related products in Jiangsu, China	(ii)
Bestway (Jiangsu) Recreation Corp.	April 5, 2004	Jiangsu, China, Chinese-foreign equity joint ventures	US$22,700,000	US$20,616,460	100%	**100%**	Manufacturing and trading of inflatable products and related products in Jiangsu, China	

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

15 SUBSIDIARIES *(Continued)*

Company name	Date of incorporation	Country/Place of incorporation, legal status	Registered share capital	Paid up share capital	Directly and indirectly held December 31, 2018	Directly and indirectly held December 31, 2019	Principal activities and place of operation	Note
Bestway Inflatables & Material Corp.	June 25, 1999	Shanghai, China, Chinese-foreign equity joint ventures	US$16,526,700	US$16,526,700	100%	**100%**	Manufacturing and trading of inflatable products and related products in Shanghai, China	
Bestway (Shanghai) Investment Management Co., Ltd.	May 28, 2015	Shanghai, China, limited liability company	RMB5,000,000	RMB2,000,000	100%	**100%**	Investment management in Shanghai, China	
Bestway (Shanghai) Enterprise Corp.	May 18, 2009	Shanghai, China, limited liability company	RMB72,728,600	RMB72,728,600	100%	**100%**	Trading of inflatable products and related products in Shanghai, China	
Bestway (HaiAn) Outdoor Leisure Products Limited	November 23, 2017	Jiangsu, China, wholly owned foreign enterprise	US$133,580,000	US$58,579,619	100%	**100%**	Manufacturing and trading of inflatable products and related products in Jiangsu, China	(iii)
Great Channel (Yancheng) Outdoor Leisure Products Limited	December 15, 2017	Jiangsu, China, wholly owned foreign enterprise	US$13,000,000	US$13,000,000	100%	**100%**	Trading of inflatable products and related products in Jiangsu, China	(iv)
Bestway (Europe) S.R.L.	January 10, 2001	Milan, Italy, limited liability company	Euro ("**EUR**") 10,200	EUR 10,200	51%	**51%**	Trading of inflatable products and related products and after sales service in Milan, Italy	
Bestway (USA), Inc.	June 1, 2001	United States, limited liability company	US$200,000	US$200,000	51%	**51%**	Trading of inflatable products and related products and after sales service in United States	
Bestway Central & South America Ltd	July 26, 2005	Santiago, Chile, limited liability company	Chilean Peso ("**CLP**") 1,393,420	CLP 1,393,420	51%	**51%**	After sales service in Santiago, Chile	
Bestway Deutschland GmbH	August 31, 2011	Neumünster, Germany, limited liability company	EUR 25,000	EUR 25,000	70%	**70%**	Trading of inflatable products and related products and after sales service in Neumünster, Germany	

15 SUBSIDIARIES *(Continued)*

Company name	Date of incorporation	Country/Place of incorporation, legal status	Registered share capital	Paid up share capital	Directly and indirectly held December 31, 2018	Directly and indirectly held December 31, 2019	Principal activities and place of operation	Note
Bestway France S.R.L.	August 4, 2011	Valbonne, France, limited liability company	EUR 600,000	EUR 600,000	75%	**75%**	Trading of inflatable products and related products and after sales service in Valbonne, France	(v)
Bestway Italy S.R.L.	August 1, 2011	Milan, Italy, limited liability company	EUR 100,000	EUR 100,000	100%	**100%**	Trading of inflatable products and related products and after sales service in Milan, Italy	
Bestway Australia Pty Limited	November 15, 2013	Silverwater, Australia, limited liability company	Australian Dollar ("**AUD**") 1,200	AUD 1,200	51%	**51%**	Trading of inflatable products and related products and after sales service in Silverwater, Australia	
Great Channel Investment Limited	October 10, 2013	British Virgin Islands, limited liability company	US$1	–	100%	**100%**	Investment holding company in British Virgin Islands	
Bestway Enterprise Company Limited	May 4, 2017	Brazil, limited liability company	US$1	–	100%	**100%**	Trading of inflatable and related products in Brazil	
Bestway Eastern Europe Sp. z o.o.	May 30,2018	Warsaw, Poland, limited liability company	Poland zlotys ("**PLN**") 5,000	PLN 5,000	51%	**51%**	Trading of inflatable products and related products and after sales service in Warsaw, Poland	
Bestway Vietnam Recreation Limited	January 3, 2019	Vietnam, limited liability company	US$8,000,000	US$8,000,000	–	**100%**	Manufacturing and trading of inflatable products and related products	(vi)

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

(ii) Bestway (Nantong) Recreation Corp. increased its registered capital and paid up share capital by US$20,000,000 on December 17, 2019, which was contributed by shareholders with the profits generated from this company in 2017 and 2018

(iii) Bestway (HaiAn) Outdoor Leisure Products Limited increased paid up share capital by US$5,000,000 on June 5, 2019.

(iv) Great Channel (Yancheng) Outdoor Leisure Products Limited increased its registered capital and paid up share capital by US$3,000,000 on May 31, 2019.

(v) Bestway France S.R.L. increased its registered capital and paid share capital by EUR 300,000 on May 2, 2019.

(vi) Bestway (Vietnam) Recreation Limited was incorporated on January 3, 2019.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

16 LAND USE RIGHTS

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

	For the year ended December 31	
	2019	**2018**
	US$	US$
Opening net book value	**34,359,812**	25,273,107
Other additions	**–**	13,383,904
Transfer to investment properties (Note 19)	**–**	(2,075,573)
Amortisation	**–**	(757,220)
Currency translation differences	**–**	(1,464,406)
Change in accounting policy – HKFRS 16	**(34,359,812)**	–
Closing net book value	**–**	34,359,812

As at December 31, 2018, land use rights of the Group, all located in Mainland China, with a total net book value of RMB192,055,404 (equivalent to US$27,983,361), were pledged to secure short-term borrowings (Note 33).

As at December 31, 2018, the Group had a collectively-owned land use right with a net book value of RMB9,003,636 (equivalent to US$1,311,871).

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

	For the year ended December 31	
	2019	**2018**
	US$	US$
General and administrative expenses	**–**	734,015
Other expenses	**–**	23,205
Total	**–**	757,220

17 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and factory equipment	Vehicles	Other equipment and fixtures	Construction in progress	Total
	US$	US$	US$	US$	US$	US$
Year ended December 31, 2019						
Opening net book amount	**185,975,305**	**59,365,241**	**3,240,283**	**14,953,487**	**32,205,605**	**295,739,921**
Transferred from construction in progress	**39,587,195**	**5,190,168**	**634,186**	**3,805,300**	**(49,216,849)**	**–**
Other additions	**900,312**	**360,431**	**1,070,285**	**1,472,964**	**36,777,334**	**40,581,326**
Transferred to investment properties (Note 19)	**(741,166)**	**–**	**–**	**–**	**(1,030,987)**	**(1,772,153)**
Transferred to intangible assets (Note 20)	**–**	**–**	**–**	**–**	**(74,126)**	**(74,126)**
Disposals	**(1,714,977)**	**(432,702)**	**(129,768)**	**(114,549)**	**–**	**(2,391,996)**
Depreciation charge	**(10,372,554)**	**(7,889,639)**	**(1,189,533)**	**(3,966,975)**	**–**	**(23,418,701)**
Currency translation differences	**(3,176,932)**	**(948,085)**	**(53,868)**	**(240,050)**	**(378,228)**	**(4,797,163)**
Closing net book amount	**210,457,183**	**55,645,414**	**3,571,585**	**15,910,177**	**18,282,749**	**303,867,108**
At December 31, 2019						
Cost	**253,654,608**	**90,590,027**	**7,768,201**	**32,306,524**	**18,282,749**	**402,602,109**
Accumulated depreciation	**(43,197,425)**	**(34,944,613)**	**(4,196,616)**	**(16,396,347)**	**–**	**(98,735,001)**
Net book amount	**210,457,183**	**55,645,414**	**3,571,585**	**15,910,177**	**18,282,749**	**303,867,108**
Year ended December 31, 2018						
Opening net book amount	106,107,532	37,676,025	2,690,398	9,695,729	67,649,035	223,818,719
Transferred from construction in progress	99,222,289	26,639,026	785,579	7,195,237	(133,842,131)	–
Other additions	3,162,162	2,301,086	945,172	2,060,199	102,817,442	111,286,061
Transferred to investment properties (Note 19)	(6,799,248)	–	–	–	–	(6,799,248)
Disposals	(46,701)	(467,426)	(31,497)	(329,307)	–	(874,931)
Depreciation charge	(7,336,484)	(5,576,921)	(1,003,728)	(2,943,505)	–	(16,860,638)
Currency translation differences	(8,334,245)	(1,206,549)	(145,641)	(724,866)	(4,418,741)	(14,830,042)
Closing net book amount	185,975,305	59,365,241	3,240,283	14,953,487	32,205,605	295,739,921
At December 31, 2018						
Cost	221,438,448	88,522,861	6,755,127	27,867,201	32,205,605	376,789,242
Accumulated depreciation	(35,463,143)	(29,157,620)	(3,514,844)	(12,913,714)	–	(81,049,321)
Net book amount	185,975,305	59,365,241	3,240,283	14,953,487	32,205,605	295,739,921

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

17 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

During the years ended December 31, 2019 and 2018, the Group has capitalised borrowing costs amounting to US$861,897 and US$492,246, respectively, on qualifying assets. Borrowing costs were capitalised at the weighted average rate of 4.49% and 4.54% per annum, respectively.

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

	For the year ended December 31	
	2019	**2018**
	US$	US$
Cost of sales	**13,008,830**	10,486,829
Selling and distribution expenses	**194,964**	197,249
General and administrative expenses	**10,214,907**	6,176,560
Total	**23,418,701**	16,860,638

As at December 31, 2019 and 2018, buildings of the Group with a total net book value of RMB943,533,174 (equivalent to US$135,250,304) and RMB837,363,307 (equivalent to US$122,007,709) respectively, were pledged to secure short-term bank borrowings (Note 33).

As at December 31, 2019 and 2018, machinery and factory equipment of the Group with a total net book value of RMB66,325,929 (equivalent to US$9,507,458) and RMB79,194,386 (equivalent to US$11,538,988) respectively, were pledged to secure short-term borrowings (Note 33).

18 LEASES

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at December 31, 2019 US$	As at 1 January 2019 US$
Right-of-use assets		
Land use rights (Note)	**38,000,517**	34,359,812
Buildings	**1,817,860**	926,797
	39,818,377	35,286,609
Lease liabilities		
Current	**639,942**	143,185
Non-current	**1,221,099**	783,612
	1,861,041	926,797

Note:

The Group has land lease arrangement with Mainland China governments and Vietnam government.

As at December 31,2019, land use rights of the Group, with a total net book value of RMB230,526,483 (equivalent to US$33,044,706) were pledged to secure short-term borrowings (Note 33).

As at December 31,2019, the Group had a collectively-owned land use right with a net book value of RMB8,650,152 (equivalent to US$1,239,952).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

18 LEASES *(Continued)*

(b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	For the year ended December 31	
	2019	**2018**
	US$	US$
Depreciation charge of right-of-use assets		
Land use rights	**837,161**	–
Buildings	**670,925**	–
	1,508,086	–
Interest expense (included in finance cost) (Note 11)	**113,579**	–
Expense relating to short-term leases (included in cost of sales, selling expenses and administrative expenses)	**2,000,317**	–

The total cash outflow for leases in 2019 was US$627,744.

19 INVESTMENT PROPERTIES

	For the year ended December 31	
	2019	**2018**
	US$	US$
Opening net book amount	**8,477,978**	–
Transferred from land use right (Note 16)	**–**	2,075,573
Transferred from property, plant and equipment (Note 17)	**1,772,153**	6,799,248
Depreciation	**(720,263)**	(188,649)
Currency translation differences	**(145,845)**	(208,194)
Closing net book amount	**9,384,023**	8,477,978

19 INVESTMENT PROPERTIES *(Continued)*

(a) Amounts recognised in profit or loss for investment properties:

	For the year ended December 31	
	2019	**2018**
	US$	US$
Rental and related services income	**4,783,338**	2,659,562
Direct operating expenses from property that generated rental income and related service	**994,094**	289,621

As at December 31, 2019, no investment properties were pledged to secure short-term bank borrowings.

As at December 31, 2018, investment properties with a total net book value of RMB58,186,062 (equivalent to US$8,477,978), were pledged to secure short-term bank borrowings (Note 33).

The fair value of the properties as at December 31, 2019, which includes the building with the carrying amount of RMB52,047,967 (equivalent to US$7,460,790)(2018: RMB44,403,320 (equivalent to US$6,469,769)) and the land use right with the carrying amount of RMB13,416,857 (equivalent to US$1,923,233)(2018: RMB13,782,742 (equivalent to US$2,008,209)), is approximately RMB436,714,729 (equivalent to US$62,600,661) (2018: RMB387,680,000 (equivalent to US$56,486,770)).

(b) Leasing arrangements

The investment properties are leased to tenants under long-term operating leases with rentals receivable quarterly. Minimum future lease rentals under non-cancellable operating leases of investment properties not recognised in the consolidated financial statements are as follows:

	Year ended December, 31	
	2019	**2018**
	US$	US$
Later than 5 years	**31,340,944**	35,680,152
Later than 1 year but not later than 5 years	**13,015,678**	12,425,566
Not later than 1 year	**3,536,394**	2,596,028
	47,893,016	50,701,746

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

20 INTANGIBLE ASSETS

	Licences	Computer software	Total
	US$	US$	US$
Year ended December 31, 2019			
Opening net book amount	**13,108**	**1,029,740**	**1,042,848**
Additions	**8,770**	**110,108**	**118,878**
Transferred from construction in progress (Note 17)	**–**	**74,126**	**74,126**
Amortisation charge	**(15,538)**	**(395,373)**	**(410,911)**
Currency translation differences	**(8)**	**(16,686)**	**(16,694)**
Closing net book amount	**6,332**	**801,915**	**808,247**
At December 31, 2019			
Cost	**112,381**	**1,568,370**	**1,680,751**
Accumulated amortisation	**(106,049)**	**(766,455)**	**(872,504)**
Net book amount	**6,332**	**801,915**	**808,247**
Year ended December 31, 2018			
Opening net book amount	22,754	544,895	567,649
Additions	531	747,970	748,501
Other disposal	–	(8,864)	(8,864)
Amortisation charge	(10,078)	(217,939)	(228,017)
Currency translation differences	(99)	(36,322)	(36,421)
Closing net book amount	13,108	1,029,740	1,042,848
At December 31, 2018			
Cost	123,609	1,444,427	1,568,036
Accumulated amortisation	(110,501)	(414,687)	(525,188)
Net book amount	13,108	1,029,740	1,042,848

20 INTANGIBLE ASSETS *(Continued)*

The amounts of amortisation charges of intangible assets charged to cost of sales and general and administrative expenses are as follows:

	For the year ended December 31	
	2019	**2018**
	US$	US$
Cost of sales	**3,474**	–
General and administrative expenses	**407,437**	228,017
	410,911	228,017

21 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at December 31	
	2019	**2018**
	US$	US$
Deferred tax assets:		
– Deferred tax asset to be recovered within 12 months	**3,858,621**	3,477,129
– Deferred tax asset to be recovered after more than 12 months	**1,368,603**	1,155,793
	5,227,224	4,632,922
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered within 12 months	**(806,372)**	(744,426)
Deferred tax assets, net	**4,420,852**	3,888,496

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

21 DEFERRED INCOME TAX *(Continued)*

The gross movement of the deferred income tax account is as follows:

	For the year ended December 31 2019 US$	2018 US$
At beginning of year	**3,888,496**	3,850,245
Currency translation differences	**(35,932)**	55,224
Statements of profit or loss – credit/(charge) (Note 12)	**568,288**	(16,973)
At end of year	**4,420,852**	3,888,496

The movement in deferred tax assets and liabilities, without taking consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Provisions US$	Tax losses US$	Fair value losses US$	Unrealised profits US$	Deferred government grants US$	Share-based payments US$	Total US$
At January 1, 2018	1,562,307	284	283,366	1,557,930	1,228,153	3,031	4,635,071
(Charged)/credited to the consolidated statements of profit or loss	127,646	406,352	(324,125)	(92,909)	(76,091)	(3,031)	37,842
Currency translation differences	(100,908)	(9,746)	83,880	58,403	(71,620)	–	(39,991)
At December 31, 2018	1,589,045	396,890	43,121	1,523,424	1,080,442	–	4,632,922
(Charged)/credited to the consolidated statements of profit or loss	198,749	(312,231)	(42,729)	668,470	130,545	–	624,804
Currency translation differences	(18,399)	(3,900)	(392)	(86)	(25,725)	–	(48,502)
At December 31, 2019	1,769,395	80,759	–	2,191,808	1,185,262	–	5,227,224

Deferred tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at December 31, 2019 and 2018, the Group did not recognise deferred tax assets of US$110,255 and US$386,002, in respect of losses amounting to US$565,709 and US$2,059,085 that can be carried forward against future taxable income.

21 DEFERRED INCOME TAX *(Continued)*

Deferred tax liabilities

	Rental income US$	Fair value gains US$	Withholding tax for dividend distribution US$	Others US$	Total US$
At January 1, 2018	–	–	607,665	177,161	784,826
Charged/(credited) to the consolidated statements of profit or loss	336,245	103,408	(607,665)	222,827	54,815
Currency translation differences	(8,060)	–	–	(87,155)	(95,215)
At December 31, 2018	328,185	103,408	–	312,833	744,426
Charged/(credited) to the consolidated statements of profit or loss	148,254	(40,243)	–	(33,495)	74,516
Currency translation differences	(6,516)	(9,723)	–	3,669	(12,570)
At December 31, 2019	469,923	53,442	–	283,007	806,372

As at December 31, 2019 and 2018, deferred tax liabilities of US$9,875,408 and US$8,515,500 have not been recognised for the withholding tax that would otherwise be payable on the unremitted earnings of certain subsidiaries. Management currently has no intention to remit those earnings in the foreseeable future. Such unremitted earnings totalled US$197,508,153 and US$170,309,999, as at December 31, 2019 and 2018, respectively.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

22 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

Financial assets	Notes	**As at December 31** **2019** **US$**	**2018** US$
Financial assets at amortised cost			
Trade receivables	25	**190,416,358**	209,219,454
Other receivables excluding prepayments	26	**8,290,163**	13,767,633
Cash and cash equivalents including restricted cash	29	**68,583,223**	40,854,466
Financial assets at fair value through other comprehensive income (FVOCI)	23	**649,231**	643,539
Financial assets at fair value through profit or loss (FVPL)	27	**517,203**	17,542,213
Derivative financial instruments	28	**1,591,113**	1,031,011
		270,047,291	283,058,316

Financial liabilities	Notes	**2019**	**2018**
Financial liabilities at amortised cost			
Trade payables	36	**159,738,961**	184,284,396
Other payables	37	**44,013,586**	74,149,740
Due to related parties	40	**2,358,424**	2,760,157
Borrowings	33	**251,941,229**	237,596,843
Lease liabilities	18	**1,861,041**	–
Derivative financial instruments	28	**3,383,077**	22,725,051
		463,296,318	521,516,187

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The balance as at December 31, 2019 and 2018 included 0.85% unlisted equity interests in Jiangsu Funing Rural Commercial Bank, amounting to US$457,636 (RMB2,790,162) and 19% equity interest in Shandong Baishile Ecommerce Ltd., amounting to US$185,903 (RMB1,453,500).

In 2019, a subsidiary of the Group acquired 51% equity interest in Europe Design Hub with the consideration of EUR5,100 (equivalent to US$5,692), without any control in such entity. And it is recognised as financial asset at fair value through other comprehensive income.

	As at December 31	
	2019	**2018**
	US$	US$
Unlisted equity interests	**649,231**	643,539

24 INVENTORIES

	As at December 31	
	2019	**2018**
	US$	US$
Raw materials	**37,003,761**	67,386,585
Work-in-progress	**79,001,219**	78,988,319
Finished goods	**188,900,560**	184,649,959
	304,905,540	331,024,863

The cost of inventories recognised as an expense and included in "Cost of sales" was US$584,472,389 (2018: US$522,007,000). Inventory's write-down of US$421,122 (2018: US$1,464,603) was made as at December 31, 2019.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

25 TRADE RECEIVABLES

	As at December 31	
	2019	**2018**
	US$	US$
Trade receivables	**195,013,276**	211,484,074
Less: allowance for impairment of trade receivables	**(4,596,918)**	(2,264,620)
	190,416,358	209,219,454

As at December 31, 2019 and 2018, the ageing analysis of the trade receivables based on invoice date is as follows:

	As at December 31	
	2019	**2018**
	US$	US$
Up to 3 months	**132,653,943**	133,298,889
4 to 6 months	**22,912,306**	30,814,255
7 to 12 months	**38,927,790**	47,210,782
Over 1 year	**519,237**	160,148
	195,013,276	211,484,074

The credit terms granted to customers by the Group are usually 30 to 240 days.

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

	As at December 31	
	2019	**2018**
	US$	US$
US$	**186,539,425**	205,906,827
RMB	**4,510,752**	3,073,849
EUR	**3,929,367**	2,476,631
Other currencies	**33,732**	26,767
	195,013,276	211,484,074

25 TRADE RECEIVABLES *(Continued)*

(a) Pledged trade receivables

As at December 31, 2019, the Group pledged trade receivables of EUR 1,089,040 (equivalent to US$1,220,076) (2018: EUR 622,832 (equivalent to US$712,133)) and US$1,938,654 as securities for the banking facilities and borrowings, as disclosed in Note 33.

(b) Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(c) Impairment and risk exposure

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 3.

26 PREPAYMENTS AND OTHER RECEIVABLES

	2019 US$	2018 US$
Prepayments	**16,411,421**	5,652,001
Other receivables	**8,290,163**	13,604,050
Deductible input VAT and prepaid taxation	**17,505,616**	27,581,439
Due from related parties (Note 40)	**360,881**	361,214
Less: allowance for impairment of other receivables	**(960,047)**	(145,897)
	41,608,034	47,052,807
Less: non-current portion:		
Long-term prepayments (Note)	**(2,471,158)**	(2,511,845)
Current portion	**39,136,876**	44,540,962

Note:

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

26 PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

(i) It represents the prepayment for land use rights.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all other receivables. Movement on the Group's allowance for impairment of other receivables are as follows:

	For the year ended December 31	
	2019	**2018**
	US$	US$
At beginning of the year	**(145,897)**	(155,134)
Provision for impairment of other receivables	**(816,513)**	(1,845)
Currency translation differences	**2,363**	11,082
At the end of the year	**(960,047)**	(145,897)

The Group did not write off any other receivables from third parties or due from related parties (2018: nil).

27 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31	
	2019	**2018**
	US$	US$
Investment fund	**–**	17,120,000
Wealth management products	**517,203**	422,213
	517,203	17,542,213

Financial assets at fair value through profit or loss are US$ and EUR denominated financial products.

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.

28 DERIVATIVE FINANCIAL INSTRUMENTS

	As at December 31			
	2019		2018	
	Assets	**Liabilities**	Assets	Liabilities
	US$	**US$**	US$	US$
Forward foreign exchange contracts	**1,591,113**	**3,383,077**	1,031,011	22,725,051

The notional principal amounts of the RMB and EUR forward foreign exchange contracts at December 31, 2019 and 2018 were US$394,531,004 and US$596,389,640, respectively.

29 CASH AND CASH EQUIVALENTS

	2019	2018
	US$	US$
Cash in hand	**69,342**	116,288
Cash at bank	**68,513,881**	40,738,178
	68,583,223	40,854,466
Less: Restricted cash	**(9,279,173)**	(9,280,173)
	59,304,050	31,574,293

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

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

	2019	2018
	US$	US$
US$	**25,413,047**	18,990,858
RMB	**35,266,267**	15,054,326
HKD	**928,153**	3,816,257
EUR	**6,374,535**	2,495,135
Other currencies	**601,221**	497,890
	68,583,223	40,854,466

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

30 SHARE CAPITAL AND SHARE PREMIUM

	Number of issued shares	Ordinary shares US$	Share premium US$	Total US$
At December 31, 2019 and 2018	1,058,391,000	1,355,633	140,636,893	141,992,526

31 OTHER RESERVES

	Retained earnings US$	Other Reserves US$	Total US$
Balance at January 1, 2018	248,057,378	10,696,442	258,753,820
Profit for the year	43,059,483	–	43,059,483
Dividends (Note 14)	(14,288,279)	–	(14,288,279)
Employees share option scheme:			
– Value of employee services	–	1,598,050	1,598,050
Currency translation differences	–	(21,785,427)	(21,785,427)
Balance at December 31, 2018	276,828,582	(9,490,935)	267,337,647
Profit for the year	44,715,005	–	44,715,005
Dividends (Note 14)	(13,018,209)	–	(13,018,209)
Employees share option scheme:			
– Value of employee services	–	1,122,957	1,122,957
Currency translation differences	–	(8,976,423)	(8,976,423)
Balance at December 31, 2019	308,525,378	(17,344,401)	291,180,977

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

For the years ended December 31, 2019 and 2018, PRC subsidiaries set aside after-tax profit of US$3,116,589 and US$2,285,419, respectively, to their statutory reserve funds. As at December 31, 2019 and 2018, the accumulated amount of such statutory reserve funds was US$36,984,648 and US$33,848,700, respectively.

32 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 HKD3.028 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 HKD4.346 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.

As approved by the Board meeting on April 2, 2019, the Group cancelled options of 5,110,000 granted to some employees on March 20, 2018 and replaced these options with cash-settled bonus payments to these employees based on original vesting conditions.

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

(a) The first tranche of 3,490,000 options are exercisable during the period from March 20, 2019 to March 20, 2023.

(b) The second tranche of 3,490,000 options are exercisable during the period from March 20, 2020 to March 20, 2023.

(c) The third tranche of 3,490,000 options are exercisable during the period from March 20, 2021 to March 20, 2023.

(d) The fourth tranche of 3,490,000 options are exercisable during the period from March 20, 2022 to March 20, 2023.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

32 SHARE-BASED PAYMENTS *(Continued)*

Employees share option scheme *(Continued)*

Movements in the number of share options outstanding and their related weighted average exercise prices for the year ended December 31, 2019 and 2018 were as follows:

	For the year ended December 31			
	2019		2018	
	Weighted average exercise price in HKD	Number of options	Weighted average exercise price in HKD	Number of options
At January 1	**3.893**	**29,070,000**	3.028	10,000,000
Granted	**–**	**–**	4.346	19,070,000
Cancelled	**4.346**	**(5,110,000)**	–	–
At December 31	**3.796**	**23,960,000**	3.893	29,070,000

Share options outstanding as at December 31, 2019 have the following expiry dates and exercise prices:

Expiry date	Exercise price HKD per share	Number of options
December 18, 2022	3.028	10,000,000
March 20, 2023	4.346	13,960,000
		23,960,000

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 HKD28,954,106 (equivalent to US$3,695,482).

32 SHARE-BASED PAYMENTS *(Continued)*

Employees share option scheme *(Continued)*

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

	Granted on March 20, 2018
Exercise price	HKD4.346
Expected volatility	37.41%
Expected dividend yield	2.51%
Risk free rate	1.68%

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 years ended December 31, 2019 and December 31, 2018 was approximately HKD8,947,255 (equivalent to US$1,122,957) and HKD12,518,300 (equivalent to US$1,598,050).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

33 BANK BORROWINGS

	As at December 31	
	2019	2018
	US$	US$
Non-current		
Bank borrowings		
– Secured	129,721,784	21,218,752
Less: current portion of long-term bank borrowings	(17,740,324)	–
Total non-current borrowings	111,981,460	21,218,752
Current		
Short-term bank borrowings		
– Secured	117,243,451	213,454,391
– Unsecured	4,975,994	2,923,700
Add: current portion of long-term bank borrowings	17,740,324	–
	139,959,769	216,378,091
Total borrowings	251,941,229	237,596,843

The carrying amounts of the Group's bank borrowings were denominated in the following currencies:

	As at December 31	
	2019	2018
	US$	US$
RMB	138,075,413	160,116,070
US$	112,443,602	76,905,563
Other Currencies	1,422,214	575,210
	251,941,229	237,596,843

33 BANK BORROWINGS *(Continued)*

As at December 31, 2019, the secured bank borrowings were secured as follows:

1> the bank borrowings amounting to EUR 871,232 (equivalent to US$976,061) was secured by trade receivables amounting to EUR 1,089,040 (equivalent to US$1,220,076).

2> the bank borrowings amounting to RMB163,000,000 (equivalent to US$23,365,156) and US$1,200,000, were secured by buildings and land use rights with net book value of RMB258,885,766 (equivalent to US$37,109,855) and RMB73,555,813 (equivalent to US$10,543,822), respectively.

3> the bank borrowings amounting to US$111,176,075 and RMB445,890,000 (approximately US$63,915,885) were guaranteed by subsidiaries of the Company.

4> the bank borrowings amounting to RMB323,221,700 (equivalent to US$46,332,058) was secured by buildings, land use rights, and machinery and factory equipment with net book value of RMB539,240,206 (equivalent to US$77,297,125), RMB148,320,518 (equivalent to US$21,260,933) and RMB66,278,548 (equivalent to US$9,500,666), respectively. They were also guaranteed by subsidiaries of the Company.

As at December 31, 2018, the secured bank borrowings were secured as follows:

1> the bank borrowings amounting to RMB12,850,000 (equivalent to US$1,872,304) and EUR 498,265 (equivalent to US$569,707) were secured by trade receivables amounting to US$1,938,654 and EUR 622,832 (equivalent to US$712,133), respectively.

2> the bank borrowings amounting to RMB195,000,000 (equivalent to US$28,412,402) and US$4,322,575, were secured by buildings, land use rights, investment properties with net book value of RMB122,993,810 (equivalent to US$17,920,767), RMB31,546,303 (equivalent to US$4,596,443), and RMB58,186,062 (equivalent to US$8,477,978), respectively.

3> the bank borrowings amounting to US$49,108,234 and RMB581,450,000 (approximately US$84,719,956) were guaranteed by subsidiaries of the Company.

4> the bank borrowings amounting to RMB89,980,074 (equivalent to US$13,110,513) and US$13,470,650 were secured by buildings, land use rights, trade receivables and deposits amounting to RMB88,038,631 (equivalent to US$12,827,636), RMB6,095,594 (equivalent to US$888,156), US$17,627,799 and US$1,443,965, respectively.

5> the bank borrowings amounting to RMB199,628,542 (equivalent to US$29,086,802) and US$10,000,000 were secured by buildings, land use rights, and machinery and factory equipment with net book value of RMB626,330,866 (equivalent to US$91,259,306), RMB154,413,507 (equivalent to US$22,498,762), and RMB79,194,386 (equivalent to US$11,538,989), respectively.

As at December 31, 2019 and 2018, the weighted average effective interest rates on borrowings from banks were 4.62% and 4.30%, respectively.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

33 BANK BORROWINGS *(Continued)*

The exposure of the bank borrowings to interest rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	As at December 31	
	2019	**2018**
	US$	US$
6 months or less	**213,259,530**	150,419,773
Between 6 and 12 months	**38,681,699**	87,177,070
	251,941,229	237,596,843

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

	As at December 31	
	2019	**2018**
	US$	US$
Portion of loans due for repayment within 1 year:	**244,343,970**	216,378,091
Over 1 year	**7,597,259**	21,218,752
	251,941,229	237,596,843

34 RETIREMENT BENEFIT OBLIGATIONS

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

	As at December 31	
	2019	**2018**
	US$	US$
Liability for:		
– post-retirement benefit obligations	**557,226**	409,860
Statement of profit or loss charge included in operating profit for:		
– post-retirement benefit obligations	**155,262**	127,001

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 resulting from employee service in the current year, benefit changes, curtailments and settlements.

The movement in the post-retirement benefit obligations is as follows:

	Present value of obligation
	US$
At January 1, 2018	300,299
Current service cost	113,747
Interest expense	13,254
Currency translation differences	(17,440)
At December 31, 2018	409,860
Current service cost	135,400
Interest expense	19,862
Currency translation difference	(7,896)
At December 31, 2019	557,226

34 RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

The significant assumptions were as follows:

	For the year ended December 31	
	2019	**2018**
Discount rate	**5%**	5%

The sensitivity of the post-retirement benefit obligations to changes in the weighted principal assumptions is:

	Impact on post-retirement benefits obligation		
2019	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.5%**	**Decrease by 0.6%**	**Increase by 0.6%**

	Impact on post-retirement benefits obligation		
2018	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.5%	Decrease by 0.6%	Increase by 0.6%

35 DEFERRED INCOME ON GOVERNMENT GRANTS

	Deferred income on government grants US$
Year ended December 31, 2018	
Opening net book amount	4,912,614
Government grants received	139,027
Credited to the consolidated statements of profit or loss	(503,103)
Currency translation differences	(226,769)
Closing net book amount	4,321,769
At December 31, 2018	
Cost	4,855,480
Accumulated amortisation	(533,711)
Net book amount	4,321,769
Year ended December 31, 2019	
Opening net book amount	4,321,769
Government grants received	642,051
Credited to the consolidated statements of profit or loss	(148,772)
Currency translation differences	(73,998)
Closing net book amount	4,741,050
At December 31, 2019	
Cost	5,400,376
Accumulated amortisation	(659,326)
Net book amount	4,741,050

In 2019 and 2018, certain subsidiaries of the Group received government grants with total amount of RMB4,442,800 (equivalent to US$642,051) and RMB931,300 (equivalent to US$139,027). The government grant was recorded as deferred government grants and credited to the consolidated statement of profit or loss on a straight-line basis over the expected useful lives of the corresponding property, plant and equipment.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

36 TRADE PAYABLES

	As at December 31	
	2019	**2018**
	US$	US$
Trade payables	**159,738,961**	184,284,396

The Group's trade payables are denominated in the following currencies:

	As at December 31	
	2019	**2018**
	US$	US$
RMB	**120,271,170**	110,390,509
US$	**33,597,999**	65,894,661
Other	**5,869,792**	7,999,226
	159,738,961	184,284,396

The ageing analysis of the trade payables based on invoice date was as follows:

	As at December 31	
	2019	**2018**
	US$	US$
Within 3 months	**156,738,029**	178,197,821
4 to 6 months	**305,365**	2,824,099
7 to 12 months	**2,449,918**	3,137,780
1 – 2 years	**245,649**	124,696
	159,738,961	184,284,396

37 OTHER PAYABLES AND ACCRUALS

	As at December 31	
	2019	**2018**
	US$	US$
Current		
Accruals and other payables	**64,294,241**	93,102,577
Payroll and employee benefit payables	**14,623,162**	14,085,893
Tax payables	**577,835**	305,334
Interest payables	**1,273,615**	641,843
Less: Long-term payables	**(4,194,451)**	(18,294,396)
	76,574,402	89,841,251

Long-term payables mainly related to payables for the construction of manufacturing facilities.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

38 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to cash generated from operations

	For the year ended December 31	
	2019	**2018**
	US$	US$
Profit before income tax	**59,908,687**	55,346,897
Adjustments for:		
– Depreciation of property, plant and equipment (Note 17)	**23,418,701**	16,860,638
– Depreciation of investment properties (Note 19)	**720,263**	188,649
– Amortisation of land use right (Note 16)	**–**	757,220
– Amortisation of intangible assets (Note 20)	**410,911**	228,017
– Depreciation of right of use assets (Note 18)	**1,508,086**	–
– Losses on disposal of property, plant and equipment (Note 8)	**2,213,441**	389,330
– Share-based payment (Note 32)	**1,122,957**	1,598,050
– Fair value (gains)/losses on derivative financial instruments (Note 8)	**(1,401,150)**	30,073,062
– Fair value gains on financial assets at fair value through profit or loss (Note 8)	**(238,688)**	(125,880)
– Net impairment losses on financial assets	**3,094,179**	734,099
– Write-down of inventories (Note 9)	**421,122**	625,323
– Finance expenses – net (Note 11)	**15,046,669**	9,507,463
– Foreign exchange gains on operating activities	**(2,543,243)**	(7,886,363)
– Deferred government grants (Note 35)	**(148,772)**	(503,103)
Changes in working capital (excluding the currency translation differences on consolidation):		
– Decrease/(increase) in pledged bank deposits	**1,000**	(5,537,437)
– Decrease/(increase) in inventories	**25,698,201**	(80,687,803)
– Decrease/(increase) in trade receivables	**16,470,798**	(70,347,745)
– Increase in contract assets	**(123,492)**	(35,093)
– Decrease/(increase) in prepayments and other receivables	**4,587,573**	(8,865,579)
– Decrease/(increase) in trade payables	**(24,545,435)**	29,622,772
– Increase in contract liabilities	**2,350,641**	13,443,145
– Decrease/(increase) in other payables and accruals	**(5,049,762)**	14,634,035
– Decrease/(increase) in due to related parties	**(401,733)**	336,583
Cash generated from operations	**122,520,954**	356,280

38 CASH GENERATED FROM OPERATIONS *(Continued)*

(b) In the consolidated cash flow statements, proceeds from disposal of property, plant and equipment comprise:

	For the year ended December 31	
	2019	**2018**
	US$	US$
Net book value (Note 17)	**2,391,996**	874,931
Losses on disposal of property, plant and equipment (Note 8)	**(2,213,441)**	(389,330)
Proceeds from disposal of property, plant and equipment	**178,555**	485,601

(c) This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	As at December 31	
	2019	**2018**
	US$	US$
Cash and cash equivalents (Note 29)	**59,304,050**	31,574,293
Borrowings – repayable within one year (Note 33)	**(139,959,769)**	(216,378,091)
Borrowings – repayable after one year (Note 33)	**(111,981,460)**	(21,218,752)
Lease liabilities	**(1,861,041)**	–
	(194,498,220)	(206,022,550)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

38 CASH GENERATED FROM OPERATIONS *(Continued)*

(c) This section sets out an analysis of net debt and the movements in net debt for each of the periods presented. *(Continued)*

	Borrowings (Current) US$	Borrowings (Non-current) US$	Lease liabilities US$	Total US$
As of January 1, 2018	157,830,554	–	–	157,830,554
Currency translations	(3,289,039)	–	–	(3,289,039)
Cash flows				
– inflow from financing activities	345,644,745	21,218,752	–	366,863,497
– outflow from financing activities	(283,808,169)	–	–	(283,808,169)
As of December 31, 2018	216,378,091	21,218,752	–	237,596,843
Recognised on adoption of HKFRS 16	–	–	926,797	926,797
As of January 1, 2019	216,378,091	21,218,752	926,797	238,523,640
Currency translations	(1,263,819)	(2,292,443)	78,984	(3,477,278)
Cash flows				
– inflow from financing activities	218,538,273	111,196,981	–	329,735,254
– outflow from financing activities	(311,433,100)	(401,506)	(627,744)	(312,462,350)
Recognition of right-of-use assets	–	–	1,483,004	1,483,004
Current portion of long-term bank borrowings	17,740,324	(17,740,324)	–	–
As of December 31, 2019	139,959,769	111,981,460	1,861,041	253,802,270

39 COMMITMENTS

(a) Capital commitments

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

	As at December 31	
	2019	**2018**
	US$	US$
Contracted but not provided for property, plant and equipment	**1,465,667**	1,891,773

40 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the year ended December 31, 2019 and 2018, and balances arising from related party transactions as at the respective balance sheet dates.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

40 RELATED PARTY TRANSACTIONS *(Continued)*

Name and relationship with related parties are set out below:

Related party	Relationship
Great Access	Ultimate holding company
Mr. Zhu Qiang	One of the controlling shareholders
Ms. Liu Xiamin	Immediate family member of Mr. Zhu Qiang
Outland Enterprise	One of the shareholders
Patrizio Fumagalli	One of the shareholders
Scrindale Limited	Entity controlled by ultimate controlling shareholder
Great Success	Immediate holding company
Hong Kong Greatwall Enterprises Limited ("**Greatwall**")	Entity controlled by ultimate controlling shareholder
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
Nantong Jiemao Plastic Company Limited ("**Nantong Jiemao**")	Entity controlled by a relative of the ultimate controlling shareholder
Haian Shitong Plastic Company Limited ("**Haian Shitong**")	Entity controlled by a relative of the ultimate controlling shareholder
Haian Yaming Plastic Company Limited ("**Haian Yaming**")	Entity controlled by a relative of the ultimate controlling shareholder

40 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with related parties

Continuing transactions

(i) Purchases

	2019 US$	2018 US$
– Shanghai Shitong	**1,797,105**	2,037,293
– Shanghai Mingwei	**1,663,823**	1,454,417
– Nantong Jiemao	**1,206,072**	1,311,986
– Shanghai Yaming	**922,766**	1,198,852
– Shanghai Jiufeng	**463,607**	741,052
– Haian Shitong	**230,337**	–
– Haian Yaming	**8,680**	–
	6,292,390	6,743,600

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 made in the ordinary courses of business of the Group and in accordance with the terms of the underlying agreements.

(ii) Key management compensation:

	2019 US$	2018 US$
Salaries, bonus and other welfares	**1,348,391**	1,271,007

40 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties

(i) Amount due from related parties:

	2019 US$	2018 US$
– Patrizio Fumagalli	**360,881**	360,878
– Greatwall	**–**	336
	360,881	361,214

The amounts due from related parties were non-trade in nature, unsecured, non-interest bearing and had no fixed repayment term as at December 31, 2019 and 2018.

(ii) Amount due to related parties

	2019 US$	2018 US$
Trade payables		
– Shanghai Shitong	**636,291**	841,015
– Nantong Jiemao	**512,921**	766,895
– Shanghai Yaming	**372,639**	712,962
– Shanghai Mingwei	**616,938**	403,861
– Shanghai Jiufeng	**145,267**	35,424
– Haian Shitong	**65,758**	–
– Haian Yaming	**8,610**	–
	2,358,424	2,760,157

As at December 31, 2019 and 2018, the ageing analysis of the above trade payables due to related parties based on invoice date was as follows:

	2019 US$	2018 US$
Within 3 months	**2,358,424**	2,753,318
4 to 6 months	**–**	6,839
	2,358,424	2,760,157

41 CONTINGENCIES

As at December 31, 2019, there were two outstanding litigations regarding advertising activities and intellectual property rights against some of our subsidiaries. The Group anticipated it would be able to successfully defend itself against the allegations brought by the plaintiffs. Besides, the Group evaluated these legal proceedings individually or in aggregate would not have material financial or operational adverse impact on the Group.

42 SUBSEQUENT EVENT

Since the outbreak of Coronavirus Disease 2019 ("**COVID-19 outbreak**") in January 2020, the Group has actively responded to and strictly implemented the regulations and requirements of government authorities and placed various internal procedures for prevention and controls.

The Group's primary productions locate in Mainland China, which resumed to operation gradually since February 10, 2020. The Group's products are sold globally and are expected to be affected by the COVID-19 outbreak and prevention and control measures adopted by various countries.

The Group will continue to pay close attention to the development of the COVID-19 outbreak, and evaluate and actively respond to its impact on the financial position and operating results of the Group, which largely depends on the future development and duration of the disease. As of the reporting date of the financial statements, no significant adverse impact has been identified.

43 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	2019 US$	2018 US$
ASSETS		
Non-current assets		
Investments in subsidiaries	**167,547,846**	166,424,889
Property, plant and equipment	**3,750**	4,660
	167,551,596	164,826,839
Current assets		
Prepayments and other receivables	**9,370,891**	9,318,937
Cash and cash equivalents	**47,860**	439,249
	9,418,751	9,758,186
Total assets	**176,970,347**	176,187,735
EQUITY		
Share capital	**1,355,633**	1,355,633
Share premium	**140,636,893**	140,636,893
Other reserves	**29,731,491**	28,983,171
Total equity	**171,724,017**	170,975,697
LIABILITIES		
Current liabilities		
Other payables and accruals	**5,246,330**	5,212,038
Total liabilities	**5,246,330**	5,212,038
Total equity and liabilities	**176,970,347**	176,187,735
Net current assets	**4,172,421**	4,546,148
Total assets less current liabilities	**171,724,017**	170,975,697

The balance sheet of the Company was approved by the Board of Directors on March 25, 2020 and were signed on its behalf.

Zhu Qiang	**Duan Kaifeng**
Executive Director	Executive Director

43 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Company	Retained earnings US$	Other reserves US$	Total US$
Balance at January 1, 2018	41,611,657	18,372	41,630,029
Profit for the year	110,729	–	110,729
Employees share option scheme:			
– Value of employee services (Note 32)	–	1,598,050	1,598,050
Currency translation differences	(67,358)	–	(67,358)
Dividends (Note 14)	(14,288,279)	–	(14,288,279)
Balance at December 31, 2018	27,366,749	1,616,422	28,983,171
Profit for the year	12,611,822	–	12,611,822
Employees share option scheme:			
– Value of employee services (Note 32)	–	1,122,957	1,122,957
Currency translation differences	31,750	–	31,750
Dividends (Note 14)	(13,018,209)	–	(13,018,209)
Balance at December 31, 2019	26,992,112	2,739,379	29,731,491

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

44 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended December 31, 2019

Name of Director	Fees	Salaries	Bonus	Pension, housing fund, medical insurance and other welfare benefits	Total
	US$	US$	US$	US$	US$
Executive directors					
Zhu Qiang	49,166	41,647	52,632	6,895	150,340
Liu Feng	–	36,665	32,771	4,590	74,026
Tan Guozheng	–	39,413	37,571	4,590	81,574
Duan Kaifeng	–	37,740	27,143	4,091	68,974
Independent non - executive directors					
Dai Guo Qiang	29,683	–	–	–	29,683
Lam Yiu Kin	29,683	–	–	–	29,683
Yao Zhi Xian	29,683	–	–	–	29,683
	138,215	155,465	150,117	20,166	463,963

44 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

For the year ended December 31, 2018

Name of Director	Fees	Salaries	Bonus	Pension, housing fund, medical insurance and other welfare benefits	Total
	US$	US$	US$	US$	US$
Executive directors					
Zhu Qiang	49,075	46,771	54,368	5,525	155,739
Liu Feng	–	40,490	29,740	3,224	73,454
Tan Guozheng	–	44,326	33,057	3,224	80,607
Duan Kaifeng	–	41,721	23,105	3,224	68,050
Independent non - executive directors					
Dai Guo Qiang	30,866	–	–	–	30,866
Lam Yiu Kin	29,916	–	–	–	29,916
Yao Zhi Xian	30,866	–	–	–	30,866
	140,723	173,308	140,270	15,197	469,498

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

44 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

(i) During the years ended December 31, 2019 and 2018, Mr. Zhu Qiang was the chairman, executive director and chief executive officer of the Company.

(ii) During the years ended December 31, 2019 and 2018, Mr. Liu Feng was the executive director and the executive vice president of the Company.

(iii) During the years ended December 31, 2019 and 2018, Mr. Tan Guozheng was the executive director of the Company.

(iv) During the years ended December 31, 2019 and 2018, Mr. Duan Kaifeng was the chief financial officer of the Company.

(v) During the years ended December 31, 2019 and 2018, Mr. Dai Guoqiang, Mr. Lam Yiu Kin and Mr. Yao Zhixian were the Company's independent non-executive directors.

Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertaking		Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking		Total	
2019	**2018**	**2019**	**2018**	**2019**	**2018**
US$	US$	**US$**	US$	**US$**	US$
138,215	140,723	**325,748**	328,775	**463,963**	469,498

44 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' retirement benefits

There were no retirement benefits paid to any director during or at any time for the years ended December 31, 2019 and 2018.

(c) Directors' termination benefits

There were no termination benefits paid to any director during or at any time for the years ended December 31, 2019 and 2018.

(d) Consideration provided to third parties for making available directors' services

During the years ended December 31 2019 and 2018., the Company provided no consideration to third parties for making available director's services.

(e) Information about loans, quasi-loans and other dealings in favour of directors

There were no loans, quasi-loans and other dealings entered into between the Group and the directors and in favour of the directors as at December 31, 2019 and 2018, or at any time for the years ended December 31, 2019 and 2018.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at December 31, 2019 and 2018 or at any time for the years ended December 31, 2019 and 2018.

BESTWAY IN THE LAST FIVE YEARS

CONSOLIDATED RESULTS

	For the year ended December 31,				
	2019	2018	2017	2016	2015
	US$	US$	US$	US$	US$
Revenue from contracts with customers	**934,626,618**	865,281,075	722,546,180	584,529,415	513,531,678
Cost of sales	**(686,627,056)**	(634,712,787)	(539,770,782)	(419,992,751)	(401,486,876)
Gross profit	**247,999,562**	230,568,288	182,775,398	164,536,664	112,044,802
Selling and distribution expenses	**(106,162,884)**	(84,432,466)	(68,863,132)	(60,703,611)	(48,002,896)
General and administrative expenses	**(75,237,596)**	(70,668,029)	(60,243,444)	(48,625,082)	(41,799,682)
Net impairment losses on financial and contract assets	**(3,094,174)**	(734,099)	(734,099)	–	–
Other income	**14,808,080**	11,248,714	16,846,940	2,101,390	5,428,026
Other (losses)/gains - net	**3,821,357**	(21,128,048)	(6,234,696)	4,667,495	919,967
Operating profit	**75,293,045**	64,854,360	63,958,514	61,976,856	28,590,217
Finance income	**–**	479,183	218,153	491,698	1,344,500
Finance expenses	**(15,384,358)**	(9,986,646)	(3,883,374)	(5,426,968)	(8,080,740)
Finance expenses - net	**(15,384,358)**	(9,507,463)	(3,665,221)	(4,935,270)	(6,736,240)
Profit before income tax	**59,908,687**	55,346,897	60,293,293	57,041,586	21,853,977
Income tax expense	**(12,332,781)**	(11,799,064)	(12,724,885)	(14,021,928)	(6,664,013)
Profit for the year	**47,575,906**	43,547,833	47,568,408	43,019,658	15,189,964
Profit attributable to:					
Shareholders of the Company	**44,715,005**	43,059,483	47,462,397	43,339,569	16,459,544
Non-controlling interests	**2,876,984**	488,350	106,011	(319,911)	(1,269,580)
	47,575,906	43,547,833	47,568,408	43,019,658	15,189,964

CONSOLIDATED ASSETS AND LIABILITIES

	As of December 31,				
	2019	2018	2017	2016	2015
	US$	US$	US$	US$	US$
Total assets	**967,534,266**	991,656,927	811,545,660	462,981,115	472,610,997
Total liabilities	**532,016,145**	582,748,210	411,610,885	259,073,066	293,093,957
Total equity	**435,518,121**	408,908,717	399,934,775	203,908,049	179,517,040

CORPORATE INFORMATION

For the year ended December 31, 2019

BOARD OF DIRECTORS

Executive Directors

Mr. Zhu Qiang (朱強)
(Chief executive officer, Chairman)
Mr. Liu Feng (劉峰)
Mr. Tan Guozheng (譚國政)
Mr. Duan Kaifeng (段開峰)

Independent Non-executive Directors

Mr. Dai Guoqiang (戴國強)
Mr. Lam Yiu Kin (林耀堅)
Mr. Yao Zhixian (姚志賢)

AUDIT COMMITTEE

Mr. Lam Yiu Kin (林耀堅) *(Chairman)*
Mr. Dai Guoqiang (戴國強)
Mr. Yao Zhixian (姚志賢)

REMUNERATION COMMITTEE

Mr. Yao Zhixian (姚志賢) *(Chairman)*
Mr. Lam Yiu Kin (林耀堅)
Mr. Zhu Qiang (朱強)

NOMINATION COMMITTEE

Mr. Dai Guoqiang (戴國強) *(Chairman)*
Mr. Yao Zhixian (姚志賢)
Mr. Zhu Qiang (朱強)

RISK MANAGEMENT COMMITTEE

Mr. Zhu Qiang (朱強) *(Chairman)*
Mr. Liu Feng (劉峰)
Mr. Tan Guozheng (譚國政)

JOINT COMPANY SECRETARIES

Mr. Zhao Wei (趙煒)
Ms. Choy Yee Man (蔡綺文)

AUTHORISED REPRESENTATIVES

Mr. Liu Feng (劉峰)
Ms. Choy Yee Man (蔡綺文)

LISTING INFORMATION AND STOCK CODE

The Stock Exchange of Hong Kong Limited
Stock Code: 3358

REGISTERED OFFICE IN CAYMAN ISLANDS

Maples Corporate Services Limited
PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

Bestway Center
No. 3065 CaoAn Road
Shanghai 201812,
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 713, 7/F
East Wing, Tsim Sha Tsui Centre
66 Mody Road
Tsim Sha Tsui, Kowloon
Hong Kong

COMPANY'S WEBSITE

www.bestwaycorp.com

AUDITOR

PricewaterhouseCoopers

HONG KONG LEGAL ADVISOR

Cleary Gottlieb Steen & Hamilton (Hong Kong)

Corporate Information

For the year ended December 31, 2019

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square, Grand Cayman
KY1-1102, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKS

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

INVESTOR RELATIONS CONTACT AND WEBSITE

T: 852 2997 7169
E: investor@bestwaycorp.com
Website: http://www.bestwaycorp.com/Investor
Product Showroom:
7th Floor, East Wing
Tsim Sha Tsui Centre
66 Mody Road, Kowloon
Hong Kong

GROUP OF COMPANIES

Shanghai

Bestway Global Holding Inc.
No.3065 Cao An Road
Shanghai, 201812, China
T: 86 21 6913 5588
E: info@bestwaycorp.com

Europe

Bestway (Europe) S.r.l.
Via Resistenza, 5
20098 San Giuliano M.se (Mi), Italy
T: 39 02 9884 881
E: info@bestwaycorp.eu

U.S.A

Bestway (USA) Inc.
3411 E. Harbour Drive, Phoenix, Arizona
85034, United States of America
T: 1 480 838 3888
E: info@bestwaycorp.us

Hong Kong

Bestway (Hong Kong) International Ltd.
Suite 713, 7/F, East Wing, Tsim Sha Tsui Centre
66 Mody Road, Kowloon, Hong Kong
T: 852 2997 7169
E: info@bestwaycorp.hk

Corporate Information

For the year ended December 31, 2019

Latin America

Bestway Central & South America Ltda
Salar Ascotan 1282, Parque Enea
Pudahuel, Santiago, Chile
T: 562 3203 6438
E: info@bestwaycorp.lat

Australia

Bestway Australia Pty Limited
Unit 2198-104 Carnarvon St
Silverwater, NSW 2128, Australia
T: 61 2 9037 1388
E: info@bestwaycorp.com.au

Brazil

Bestway Brazil
Rua São João, 1648
Maringá – PR – Brazil
Zip Code: 87030-201
T: 55 44 3046 2950/0800 001 8400
E: info@bestwaycorp.com.br

France

Bestway France Sarl
1681 Route des Dolinesles Taissounières-HB1
06560 Valbonne, France
T: 33 4 97 04 92 99
E: info@bestwaycorp.fr

Germany

Bestway Deutschland GmbH
Parkstraße 11
24534 Neumünster, Germany
T: 49 4321 555 05 – 0
E: info@bestwaycorp.de

Eastern Europe

Bestway Eastern Europe Sp. Z.o.o.
Ulica Stanislawa, Moniuszki n 1A
00-014 Warszawa Poland
T: 48 22 60 22 508
E: info@bestwaycorp.pl

Middle East

Bestway Middle East DMCC
1007, The Dome Tower
Cluster N, JLT Dubai, U. A. E.
P.O.Box: 120673
T: 941 4 2622 333
E: info@bestwaycorp.ae

Vietnam

Bestway (Vietnam) Recreation Limited
Tan Lap 1 Commune
Tan Phuoc District
Tien Giang Province, Vietnam
T: 84 986837317

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

Address：Suite 713, 7/F, East Wing, Tsim Sha Tsui Centre,
66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong
地址：香港九龍尖沙咀麼地道66號尖沙咀中心東翼7樓713室

Tel(電話)：852 2997 7169

Web(網址)：www.bestwaycorp.com