



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)



2020 中期報告  
INTERIM REPORT

Stock code 股份代號: 3358



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Zhu Qiang (朱強)  
*(Chief executive officer, Chairman)*  
 Mr. Liu Feng (劉峰)  
 Mr. Tan Guozheng (譚國政)  
 Mr. Duan Kaifeng (段開峰)

### Independent Non-executive Directors

Mr. Dai Guoqiang (戴國強)  
 Mr. Lam Yiu Kin (林耀堅)  
 Mr. Yao Zhixian (姚志賢)

## AUDIT COMMITTEE

Mr. Lam Yiu Kin (林耀堅) *(Chairman)*  
 Mr. Dai Guoqiang (戴國強)  
 Mr. Yao Zhixian (姚志賢)

## REMUNERATION COMMITTEE

Mr. Yao Zhixian (姚志賢) *(Chairman)*  
 Mr. Lam Yiu Kin (林耀堅)  
 Mr. Zhu Qiang (朱強)

## NOMINATION COMMITTEE

Mr. Dai Guoqiang (戴國強) *(Chairman)*  
 Mr. Yao Zhixian (姚志賢)  
 Mr. Zhu Qiang (朱強)

## RISK MANAGEMENT COMMITTEE

Mr. Zhu Qiang (朱強) *(Chairman)*  
 Mr. Liu Feng (劉峰)  
 Mr. Tan Guozheng (譚國政)

## JOINT COMPANY SECRETARIES

Mr. Zhao Wei (趙焯)  
 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

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 Stock Code: 3358

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## AUDITOR

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## HONG KONG LEGAL ADVISOR

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## FINANCIAL HIGHLIGHTS

	For the six months ended June 30,			
	2020 US\$ (unaudited)	2019 US\$ (unaudited)	Change (US\$)	Change (%)
Revenue from contracts with customers	<b>572,356,066</b>	601,691,932	(29,335,866)	(4.9)
Gross profit	<b>158,596,446</b>	154,726,520	3,869,926	2.5
Gross profit margin	<b>27.7%</b>	25.7%	N/A	2.0 <sup>(1)</sup>
EBITDA <sup>(2)</sup>	<b>66,331,614</b>	74,796,612	(8,464,998)	(11.3)
Net profit	<b>35,750,291</b>	45,479,262	(9,728,971)	(21.4)
Net profit margin	<b>6.2%</b>	7.6%	N/A	(1.4) <sup>(1)</sup>
Net cash inflow from operating activities	<b>167,885,097</b>	78,643,650	89,241,447	113.5
Earnings per share				
– Basic	<b>0.0311</b>	0.0418	(0.0107)	(25.6)
– Diluted	<b>0.0311</b>	0.0417	(0.0106)	(25.4)

Note 1: These figures represent the change of percentage points.

Note 2: EBITDA is defined as profit/(loss) before finance costs and tax having added back: i) depreciation for property, plant and equipment and right-of-use assets charged to profit or loss, ii) amortization.



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND PROSPECTS

### Business Review

For the six months ended June 30, 2020, the Group's revenue was US\$572.4 million, representing a decrease of 4.9% over the corresponding period in 2019 and as of June 30, 2020, the Group's net profit was US\$35.8 million, representing a period-on-period decrease of 21.4%. The decrease in revenue and net profit was mainly attributable to the outbreak of Coronavirus disease 2019 ("COVID-19") which has brought more uncertainties to the outdoor leisure products market and the operating environment of the Group, and in particular, the global consumption demand for Recreation Products, Sporting Products and Camping Products has decreased. In addition to the outbreak of COVID-19, in view of the ongoing trade disputes between China and its major trading partners, the Group's business in North American market was adversely affected by the increase in tariffs on products exported to the United States of America (the "U.S.") from China as a result of the trade disputes between China and the U.S. last year.

### Our Products

For the six months ended June 30, 2020, the Group recorded a moderate performance for the products of all four major product categories. The revenue of Above-ground Pools and Portable Spas reached US\$317.1 million, representing an increase of 8.2% as compared to the corresponding period in 2019, which was mainly attributable to the strong and continuous demand for Above-ground Pools and Portable Spas to be used either at home or in backyards domestically in light of the outbreak of COVID-19 pandemic where domestic quarantine measures were adopted in many countries and regions. The revenue of Recreation Products, Sporting Products and Camping Products was US\$105.3 million, US\$61.6 million and US\$88.4 million, respectively, representing a decrease of 11.0%, 29.7% and 13.9%, respectively, as compared to the corresponding period in 2019. The decrease of revenue of the Recreation Products, Sporting Products and Camping Products were mainly due to the restrictions imposed on outdoor activities by the governments around the globe to prevent the spread of COVID-19, which had resulted in the decrease of demand for these products. For the six months ended June 30, 2020, the Group further strengthened its branding strategy with the further promotion of intelligent control Above-ground Pools and Portable Spas for domestic use. Having devoted great effort in improving and upgrading the product user experience, we believe we have set a new industry benchmark for Above-ground Pools and Portable Spas. Meanwhile, we have launched different product classes for indoor inflatable products for domestic use and they have been well-received by the market.

In view of the ongoing outbreak of COVID-19 pandemic, we have focused on promoting domestic Above-ground Pools and Portable Spas, which can be used either indoor or in backyard, and middle-to-high-end Indoor Air Mattress. COVID-19 pandemic has increased the demand for these products, leading to the natural growth in sales. Further, by diversifying our product types, we can enrich our product categories to further increase our market shares and avoid the competition among similar products. We have also put a greater focus on promoting our brand and products through social media channels.









## Our Geographic Regions

### *Europe*

For the six months ended June 30, 2020, the Group maintained a formidable number one position in terms of market share in Europe, with a revenue of US\$352.8 million, representing a slight period-on-period growth of 3.0%. The European market is an important region that contributes to the largest portion of the Group's revenue and is crucial to the Group's stable operation. For the six months ended June 30, 2020, the Group achieved satisfactory performance in terms of revenue in the European market in countries including the United Kingdom, France and Germany. In respect of performance of product categories in terms of revenue, Above-ground Pools and Portable Spas had an outstanding performance in Europe. The Group continues to expand the product pipelines for Above-ground Pools and Portable Spas and devote more resources to advertise our brand on social media so as to enlarge our market scale.

### *North America*

Due to the outbreak of COVID-19 pandemic and the continuous trade disputes between China and the U.S., the Group's sales performance experienced a certain degree of decline in the North American market, recording a revenue of US\$167.2 million for the six months ended June 30, 2020. While the revenue recorded a period-on-period decrease of 14.9% in the North American market, the Group has continued to expand sales channels, improve brand image and carry out further marketing activities for Above-ground Pools and Portable Spas.

### *Asia Pacific*

For the six months ended June 30, 2020, while the Group experienced a mild decrease of 4.2% over the corresponding period in 2019 in the Asia Pacific market with a revenue of US\$27.1 million, there was a significant increase of US\$2.1 million in the revenue generated from the Mainland China market, representing a period-on-period increase of 16.6%. Such increase in the revenue from the Mainland China market was mainly due to our successful promotion on online sales channels. Following the stringent control measures adopted by the Chinese government to prevent the spread of COVID-19, coupled with stimulus initiatives to drive its country economy amid the pandemic, the economy recovery in Mainland China begins to gain momentum. The demand for our products in Mainland China has increased since March. Moreover, the success of our promotion on online sales channels is attributable to the surging popularity of E-commerce platforms in Mainland China.



### Rest of the World

The revenue of the Group for the rest of the world for the six months ended June 30, 2020 amounted to US\$25.3 million, representing a period-on-period decrease of 26.5%. Our revenue for the rest of the world was mainly affected by the outbreak of COVID-19 pandemic and the depreciation of currency in Latin American countries including Brazil and Argentina, which had inflicted further decrease on the demand. Despite the decrease, we will further enhance our marketing and business strategy in markets with huge growth potential such as the Middle East, to further improve and establish a comprehensive local sales network. It is expected that upon the relaxation of COVID-19 prevention measures such as social distancing, together with the recovery of economy and the stability of currency exchange market, our sales performance in these regions will show improvement.

### Exposure to Foreign Exchange Rate Risk

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 rate 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-to-two-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.



## MANAGEMENT DISCUSSION AND ANALYSIS

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.

### Interest Rate Risk

The Group is exposed to the market interest rate change risk relating to its interest-bearing bank borrowings. Financial liabilities issued at floating interest rates expose the Group to interest rate risk of cash flow while financial liabilities issued at fixed interest rates expose the Group to interest rate risk of fair value.

The Group determines the proportion of contracts of fixed interest rate and floating interest rate depending on the then market conditions. As at June 30, 2020, the Group's fixed-rate borrowings is US\$175.4 million and floating-rate borrowings is US\$97.2 million.

To lessen the vulnerability of interest expense to a rising interest rate environment and to manage the interest rate risk exposure on the US\$88,888,000 3-year term loan facility entered into by Bestway (Hong Kong) International Limited, an indirect wholly-owned subsidiary of the Company, as borrower, the interest rate of which is determined by reference to 3-month LIBOR floating interest rate plus 2.45% per annum, the Company entered into three interest rate swap contracts with a notional amount of US\$20 million, US\$25 million and US\$20 million at an average fixed interest rate of 3.1%, 3.05% and 2.95% per annum as at April 23, 2020, May 6, 2020 and May 11, 2020, respectively. The interest rate swap contracts are due in April, 2022.

As a result of this liability management exercise, the total fixed-rate borrowings of the Group increased to 88% from 64%, as at June 30, 2020.

For further details, please refer to Note 19 to the condensed consolidated financial statements.

### Product Innovations

The Group placed great importance to its product research and development ("**R&D**"). The R&D-related expenses for the six months ended June 30, 2020 amounted to US\$9.5 million, representing around 27% of the Group's total general and administrative expenses. The R&D-related expenses for the six months ended June 30, 2020 is approximately 8% higher than US\$8.8 million of the corresponding period last year. It is a usual practice for the Group to enhance and phase out over 25% of its product types in a new quarter, with a view to offering more innovative, appealing and practical outdoor leisure products to consumers and to phasing out some of the products purely for outdoor leisure group-use purpose with relatively poor sales performance. The 2021 sales year of the Group is the period between May 1, 2020 to April 30, 2021, which we mainly sell products listed in the 2021 Sales Catalogue. During the first three months of 2021 sales year, the value of orders from customers received by the Group increased by approximately 5% as compared to the corresponding period in 2020 sales year amid the current global economic environment. This was mainly due to the constant hot sales for domestic and backyard-use Above-ground Pools and Portable Spas. In order to consolidate the leading position of the Company's brand in these categories, the Company will further enhance the sale momentum of Above-ground Pools and Portable Spas by further enriching the product pipelines and devoting more resources on brand advertising on social media.



## Production Facility

The Group operates a vertically integrated business model with our product production, manufacturing and supply chain completed on our own. The Group's manufacturing sites are located in (i) Shanghai; (ii) Rugao, Nantong; (iii) Yancheng; (iv) Haian, Nantong; and (v) Vietnam. The capital expenditure of the Group for the six months ended June 30, 2020 was US\$18.7 million, which was mainly used for plant construction and investment on equipment.

The Group further expanded the production capacity of the manufacturing site in Vietnam (phase 1), which covers 51,240 square meters of land and, based on the property ownership certificate issued on July 14, 2020, 31,780 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. The production output for this manufacturing facility for 2020 is expected to be about US\$15 million and able to generate sales of approximately US\$12 million. The current production efficiency of this manufacturing facility is approximately 80-90% as compared to our production facilities in China and is expected to increase gradually. This production facility mainly produces Recreation Products and mattresses of our four core product groups.

## OUTLOOK

The Group is a global leading branded company for inflatable outdoor leisure products and have up to 35% global market share. For the six months ended June 30, 2020, there were a number of unfavorable factors affecting the Group's performance. Apart from the outbreak of the unprecedented COVID-19 pandemic since early January 2020 which caused direct and indirect ramifications to the Group's overall business performance, the Group's international trading business was also affected by the continuous trade disputes between China and the U.S. and the global economy slowdown. Despite these challenges in the global market environment, the Group still recorded a revenue of US\$572.4 million for the six months ended June 30, 2020, which although is lower than that of the corresponding period in 2019, is 9.0% higher as compared to the revenue of US\$525.1 million for the six months ended June 30, 2018. In respect of gross profit margin, as there is a slight decrease in the Group's average cost of sales and the sales prices of our products were similar to the prices in the previous year, it is expected that the annual gross profit margin in 2020 will be similar to that of 2019.

In 2020, the Group will continue to boost online sales. Our marketing and promotion initiatives in E-commerce and social media are becoming increasingly prominent. The performance of self-operated online sales channels in Europe and China exceeded the Group's expectations. The online sales channels have played a significant role in boosting the Group's sales, brand awareness and maintenance of products' market price stability, especially in Europe. Third-party E-commerce platforms, especially Amazon and Tmall, are still in a phase of rapid development. At the same time, the Group continues to devote effort and actively deploys regional third-party E-commerce platforms in various countries and has achieved excellent sales performance. The rapid development of these online sales channels offset certain degree of the adverse impact brought by the outbreak of COVID-19 pandemic on the Group's sales performance. Further, the Group focus more on the R&D of indoor and domestic product portfolios, such as Above-ground Pools and Portable Spas and middle-to-high-end domestic mattresses.

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

## Results of Operations

	For the six months ended June 30,		Change (%)
	2020 US\$ (Unaudited)	2019 US\$ (Unaudited)	
<b>Operating results</b>			
Revenue from contracts with customers	<b>572,356,066</b>	601,691,932	(4.9)
Cost of sales	<b>(413,759,620)</b>	(446,965,412)	(7.4)
Gross profit	<b>158,596,446</b>	154,726,520	2.5
Net profit	<b>35,750,291</b>	45,479,262	(21.4)

	For the six months ended June 30,		Change (%)
	2020 (Unaudited)	2019 (Unaudited)	
<b>Key Ratios (%)</b>			
Gross profit margin	<b>27.7%</b>	25.7%	2.0 <sup>(1)</sup>
Net profit margin	<b>6.2%</b>	7.6%	(1.4) <sup>(1)</sup>

Note:

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

## Revenue from contracts with customers

The revenue of the Group decreased by 4.9% from US\$601.7 million for the six months ended June 30, 2019 to US\$572.4 million for the six months ended June 30, 2020. The decrease in revenue was mainly attributable to the outbreak of COVID-19 which has led to a reduction in the global demand for Recreation Products, Sporting Products and Camping Products. In addition to the outbreak of COVID-19, in view of the ongoing trade disputes between China and the U.S., the Company's business in North American market was adversely affected by the increase in tariffs on products exported to the U.S. from China.

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 periods indicated:

Product Group	For the six months ended June 30,				
	2020		2019		Change (%)
	US\$ (Unaudited)	%	US\$ (Unaudited)	%	
Above-ground Pools and Portable Spas	317,090,786	55.4	293,054,339	48.7	8.2
Recreation Products	105,266,568	18.4	118,326,318	19.7	(11.0)
Sporting Products	61,615,145	10.8	87,646,537	14.6	(29.7)
Camping Products	88,383,567	15.4	102,664,738	17.0	(13.9)
<b>Total</b>	<b>572,356,066</b>	<b>100.0</b>	<b>601,691,932</b>	<b>100.0</b>	<b>(4.9)</b>

The sales mix of our four core product groups remained relatively stable for the six months ended June 30, 2019 and 2020. The sales of our Above-ground Pools and Portable spas amounted to US\$317.1 million, representing a 8.2% growth for the six months ended June 30, 2020, mainly attributable to the strong and continuous demand for products under these categories to be used either at home or in backyards domestically. The revenue of Recreation Products, Sporting Products and Camping Products was US\$105.3 million, US\$61.6 million and US\$88.4 million, respectively, representing a decrease of 11.0%, 29.7% and 13.9%, respectively, as compared to the corresponding period in 2019. The drop in revenue for Recreation Products, Sporting Products and Camping Products were due to the outbreak of COVID-19 pandemic as outdoor group activities were discouraged and restricted in many countries and regions.

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

Geographic Region	For the six months ended June 30,				
	2020		2019		Change (%)
	US\$ (Unaudited)	%	US\$ (Unaudited)	%	
Europe <sup>(1)</sup>	352,782,861	61.6	342,557,000	56.9	3.0
North America <sup>(2)</sup>	167,183,540	29.3	196,452,835	32.7	(14.9)
Asia Pacific <sup>(3)</sup>	27,114,385	4.7	28,292,224	4.7	(4.2)
Including: Mainland China	14,754,200	2.6	12,656,140	2.1	16.6
Rest of the world <sup>(4)</sup>	25,275,280	4.4	34,389,873	5.7	(26.5)
<b>Total</b>	<b>572,356,066</b>	<b>100.0</b>	<b>601,691,932</b>	<b>100.0</b>	<b>(4.9)</b>



## MANAGEMENT DISCUSSION AND ANALYSIS

## Notes:

- (1) Europe refers to countries in the European Economic Area (including France and Germany), the United Kingdom, Russia, Georgia, Switzerland, Turkey, Kazakhstan, Kyrgyzstan, Albania, Andorra, Bosnia and Herzegovina, Macedonia, Moldova, 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 the Middle East, Africa and Latin America.

For the six months ended June 30, 2020, the Group maintained a formidable number one position in terms of market share in Europe, with a revenue of US\$352.8 million, representing a stable period-on-period growth of 3.0%. The European market is an important region that contributes to the largest portion of the Group's revenue and is crucial to the Group's stable operation. However, the Group sales performance in the North American market was adversely impacted by the outbreak of COVID-19 pandemic and the continuous trade disputes between China and the U.S. with a revenue of US\$167.2 million recorded for the six months ended June 30, 2020, representing a period-on-period decrease of 14.9%. While the Group has experienced a decline in revenue generated in the Asia Pacific market which amounted to US\$27.1 million, representing a period-on-period decrease of 4.2% due to the outbreak of COVID-19 pandemic, there was a significant increase of US\$2.1 million in the revenue generated from the Mainland China market, representing a period-on-period increase of 16.6%. Such increase in the revenue from the Mainland China market was mainly due to our active promotion on online sales channels.

For the sales in the rest of the world, we recorded a period-on-period decrease of 26.5%. The drop was mainly due to the outbreak of COVID-19 pandemic and the depreciation of currency in Latin America countries including Brazil and Argentina, which had inflicted further decrease on the demand.

**Cost of Sales**

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

	For the six months ended June 30,					
	2020		2019		Change (%)	
	Revenue		Cost of Sales		Revenue	Cost of Sales
	US\$	US\$	US\$	US\$		
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)			
Above-ground Pools and Portable Spas	<b>317,090,786</b>	293,054,339	<b>226,342,416</b>	221,003,927	<b>8.2</b>	<b>2.4</b>
Recreation Products	<b>105,266,568</b>	118,326,318	<b>75,569,541</b>	86,446,019	<b>(11.0)</b>	<b>(12.6)</b>
Sporting Products	<b>61,615,145</b>	87,646,537	<b>41,477,496</b>	59,117,910	<b>(29.7)</b>	<b>(29.8)</b>
Camping Products	<b>88,383,567</b>	102,664,738	<b>70,370,167</b>	80,397,556	<b>(13.9)</b>	<b>(12.5)</b>
<b>Total</b>	<b>572,356,066</b>	601,691,932	<b>413,759,620</b>	446,965,412	<b>(4.9)</b>	<b>(7.4)</b>

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 decreased by 7.4% from US\$447.0 million for the six months ended June 30, 2019 to US\$413.8 million for the six months ended June 30, 2020 and was 74.3% and 72.3%, remained relatively stable as a percentage of revenue for the six months ended June 30, 2019 and 2020, 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 2.5% from US\$154.7 million for the six months ended June 30, 2019 to US\$158.6 million for the same period in 2020. Our gross profit margin increased from 25.7% for the six months ended June 30, 2019 to 27.7% for the same period in 2020. For the six months ended June 30, 2019, the gross profit margin reflected the products sold during 2019 sales season ("**2019 Products**") while the gross profit margin for the six months ended June 30, 2020 reflected products sold during 2020 sales season ("**2020 Products**"). As compared to the 2019 Products, given the sales price of products and price of raw materials remained relatively stable in 2020, the 2.0% increase in our gross profit margin of 2020 Products was due to the depreciation of Renminbi and the increase in operational efficiency.

### **Operating Profit and Operating Profit Margin**

#### ***Selling and Distribution Expenses***

Selling and distribution expenses primarily consist of transportation expenses, service fees and commissions paid to our third-party regional relationship managers, wages and salaries, social welfare and benefits for our marketing and sales personnel, advertising and promotion expenses and after-sales services expenses. For the six months ended June 30, 2019 and 2020, our selling and distribution expenses were US\$59.5 million and US\$68.1 million, respectively, representing 9.9% and 11.9% of our revenue and the ratio of which remained steady in these respective periods.

The reasons for the increase in sales expenses as a percentage of revenue are as follows:

- (i) the increase in commission and related expenses payables to third-party in relation to business referrals;
- (ii) the increase in business volume using Cost Insurance and Freight Terms, the adoption of which will attract market's attention and smoothen the international freight logistic arrangement, has increased logistics and related expenses; and
- (iii) the increase in marketing expenses for the promotion of new products through new sales channels.

#### ***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 six months ended June 30, 2019 and 2020, our administrative expenses were US\$39.8 million and US\$34.6 million. Our administrative expenses amounted to 6.6% and 6.0% of the revenue for the six months ended June 30, 2019 and 2020, respectively. We controlled our administrative expenses through increasing operational efficiency, which has led to a decrease in administrative staff's salary expenses and rental expenses for rented logistics properties.

## MANAGEMENT DISCUSSION AND ANALYSIS

### ***Other Income – Other Expenses***

Our other income net other expenses were US\$4.4 million for the six months ended June 30, 2019 and US\$4.6 million for the six months ended June 30, 2020, respectively. Our other income net other expenses remained relatively stable.

### ***Other (losses)/gains – Net***

For the six months ended June 30, 2020, the other losses of US\$2.4 million recorded was due to the loss of US\$5.6 million of foreign exchange forward contracts and interest rate swap contracts and a further depreciation of Renminbi, which resulted in a gain US\$3.1 million due to currency translation difference for trade receivables or payables.

### ***Impairment Losses on Financial Assets***

Our net impairment losses on financial assets increased by 68.6% from US\$3.4 million for the six months ended June 30, 2019 to US\$5.7 million for the six months ended June 30, 2020 as in light of the impact brought by COVID-19 pandemic, we have made more provision for impairment of trade receivables due to financial control considerations.

### ***Operating Profit***

Our operating profit decreased by 16.3% from US\$62.6 million for the six months ended June 30, 2019 to US\$52.4 million for the six months ended June 30, 2020. The record of 16.3% decrease in operating profit while there was a 2.5% increase in gross profit, was due to an increase in marketing cost and net loss on foreign exchange forward contracts.

### ***Profit for the Period***

Our net profit significantly decreased by 21.4% from US\$45.5 million for the six months ended June 30, 2019 to US\$35.8 million for the six months ended June 30, 2020. The decrease was mainly due to the decrease in revenue caused by the outbreak of COVID-19 pandemic and the continuous trade disputes between the U.S. and China.

### ***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 six months ended June 30, 2019 and 2020, the net amount of finance expenses was US\$6.2 million and US\$6.4 million, representing 1.0% and 1.1% of total revenue. The expense ratio remained relatively stable.

### ***Income Tax Expenses***

Our income tax expenses decreased by 6.5% from US\$10.9 million for the six months ended June 30, 2019 to US\$10.2 million for the six months ended June 30, 2020 following the decrease in the Group's profit.

Our effective income tax rate increased from 19.4% for the six months ended June 30, 2019 to 22.2% for the six months ended June 30, 2020. Such increase was primarily because of a higher percentage of profits were generated from regions with higher income tax rates, in particular, the European countries.



## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our primary uses of cash for the six months ended June 30, 2020 were to meet working capital demand for our day-to-day operations and to pay capital expenditures for expansion of production facilities. We financed our working capital requirements through a combination of funds generated from our operating activities and bank borrowings.

Our treasury policy is to maintain sufficient cash and cash equivalents and have sufficient available funding through our banking facilities and operations to meet our working capital requirements. Our Directors believe that we have maintained sufficient general banking facilities for financing our capital commitment and working capital purposes.

### Capital Expenditure and Capital Commitment

Capital expenditure for the six months ended June 30, 2020 mainly comprises expenditure on property, plant and equipment expenses incurred in the construction of production facilities in Nantong and Vietnam. For the six months ended June 30, 2020, we funded our capital expenditures primarily with cash generated from operation.

The table below shows a breakdown of the capital expenditure for the respective period under review:

	<b>Six months ended June 30,</b>	
	<b>2020</b>	2019
	<b>US\$</b>	US\$
	<b>(Unaudited)</b>	(Unaudited)
Purchase of property, plant and equipment	<b>18,620,876</b>	49,015,458
Purchase of right-of-use assets	–	3,145,111
Purchase of intangible assets	<b>47,107</b>	150,287
<b>Total capital expenditures</b>	<b>18,667,983</b>	52,310,856

## MANAGEMENT DISCUSSION AND ANALYSIS

**Contract Liabilities**

Our contract liabilities decreased by 66.7% from US\$15.8 million to US\$5.3 million as of June 30, 2020 compared to December 31, 2019, mainly attributable to our policy to temporarily reduce the proportion of advance payment from customers in light of the outbreak of COVID-19 pandemic as a means to encourage the customers to complete the shipment of goods on schedule.

**Liquidity and Cash Flow**

	For the six months ended June 30,		Change US\$
	2020 US\$ (Unaudited)	2019 US\$ (Unaudited)	
<b>Cash flow</b>			
Net cash generated from operating activities	<b>167,885,097</b>	78,643,650	89,241,447
Net cash used in investing activities	<b>(23,704,872)</b>	(66,825,627)	43,120,755
Net cash generated from financing activities	<b>12,531,814</b>	83,995,301	(71,463,487)
Net increase in cash and cash equivalents	<b>156,712,039</b>	95,813,324	60,898,715

	As of		Change US\$
	June 30, 2020 US\$ (Unaudited)	December 31, 2019 US\$ (Audited)	
<b>Current Assets and Current Liabilities</b>			
Current Assets	<b>591,999,203</b>	605,308,898	(13,309,695)
Current Liabilities	<b>(384,924,505)</b>	(408,514,487)	(23,589,982)
<b>Net Current Assets</b>	<b>207,074,698</b>	196,794,411	10,280,287

The Group maintains a strong and healthy balance sheet. As of June 30, 2020, the gearing ratio was 11.7%, representing a 30.4% decrease as compared with December 31, 2019 (gearing ratio equals total net debt divided by total equity). Net current assets increased by 5.2% from US\$196.8 million as of December 31, 2019 to US\$207.1 million as of June 30, 2020. The US\$10.3 million increase in net current assets was primarily due to a significant decrease in trade payables as we have lowered the level of production output in light of the outbreak of COVID-19 and reduced the purchase of raw materials accordingly. The Group's intangible assets increased drastically from US\$0.8 million as of December 31, 2019 to US\$2.9 million as of June 30, 2020 as the new enterprise resource planning (ERP) management system has commenced full operation this year, which enabled us to effectively coordinate resources among our manufacturing facilities and departments.

The Group's net cash inflow from operating activities was US\$167.9 million, consisting of US\$179.1 million in net cash generated from operations, income tax paid of US\$4.5 million and interest paid of US\$6.6 million. The increase in net cash inflow generated from operating activities was mainly attributable to the increase in profitability and significant results achieved on working capital improvement measures.

The Group recorded an increase of net cash and cash equivalents from US\$95.8 million to US\$156.7 million as the Group would like to retain sufficient cash flow due to preventive financial control considerations in light of the outbreak of COVID-19 pandemic. We also retained sufficient cash for the purpose of repaying certain bank borrowings in the second half of 2020.

## Borrowings

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

	<b>As of</b>	
	<b>June 30,</b>	December 31,
	<b>2020</b>	2019
	<b>US\$</b>	US\$
	<b>(Unaudited)</b>	(Audited)
<b>Non-current</b>		
Bank borrowings		
Secured	<b>137,118,741</b>	129,721,784
Less: current portion of long-term borrowings	<b>(43,509,296)</b>	(17,740,324)
	<b>93,609,445</b>	111,981,460
<b>Current</b>		
Bank borrowings		
Secured	<b>133,169,153</b>	117,243,451
Unsecured	<b>2,337,483</b>	4,975,994
Add: current portion of long-term borrowings	<b>43,509,296</b>	17,740,324
	<b>179,015,932</b>	139,959,769
<b>Total borrowings</b>	<b>272,625,377</b>	251,941,229

Our bank borrowings were primarily denominated in U.S. dollars, Renminbi and Euro, and a majority of them were short-term borrowings that we entered into to finance our working capital. As of June 30, 2020 and December 31, 2019, the weighted average effective interest rate of our borrowings was 4.83%, and 4.62% per annum, respectively. Our bank borrowings amounted to US\$272.6 million and US\$251.9 million as of June 30, 2020 and December 31, 2019, respectively. It is expected that certain bank borrowings will be repaid in the second half of 2020.



## MANAGEMENT DISCUSSION AND ANALYSIS

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

	<b>As of</b>		
	<b>June 30,</b>	December 31,	
	<b>2020</b>	2019	<b>Change</b>
	<b>US\$</b>	US\$	<b>US\$</b>
	<b>(Unaudited)</b>	(Audited)	
Within one year	<b>179,015,932</b>	139,959,769	39,056,163
Over one year	<b>93,609,445</b>	111,981,460	(18,372,015)
<b>Total</b>	<b>272,625,377</b>	251,941,229	20,684,148

## 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:

	<b>As of</b>	
	<b>June 30,</b>	December 31,
	<b>2020</b>	2019
	<b>US\$</b>	US\$
	<b>(Unaudited)</b>	(Audited)
Raw materials	<b>23,853,600</b>	37,003,761
Work-in-progress	<b>40,069,142</b>	79,001,219
Finished goods	<b>87,222,729</b>	188,900,560
<b>Total</b>	<b>151,145,471</b>	304,905,540

Our inventories decreased from US\$304.9 million to US\$151.1 million as of June 30, 2020, compared to December 31, 2019, representing a period-on-period decrease of 50.4%. The decrease was primarily due to higher operational efficiency and we have adopted effective inventory control policies.

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

	<b>For the six months ended June 30, 2020</b>	For the year ended December 31, 2019
Inventory turnover days <sup>(1)</sup>	<b>101</b>	169

Note:

- (1) Inventory turnover days for each one-year period equals the average of the beginning and ending inventory for that year divided by cost of sales for that year and multiplied by 365 days, and the inventory turnover days for a six-month period equals to the average of the beginning and ending inventory for that period divided by the cost of sales for that period and multiplied by 183 days.

Our inventory turnover days decreased from 169 days for the year ended December 31, 2019 to 101 days for the six months ended June 30, 2020, and the balance of inventories decreased from US\$304.9 million as at December 31, 2019 to US\$151.1 million as at June 30, 2020. The decrease in inventory turnover days primarily due to the high operational efficiency and our effective inventory control measures.

## Trade Receivables

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

	<b>As of June 30, 2020 US\$ (Unaudited)</b>	December 31, 2019 US\$ (Audited)
Trade receivables	<b>205,138,129</b>	195,013,276
Less: allowance for impairment of trade receivables	<b>(11,050,238)</b>	(4,596,918)
<b>Total receivables – net</b>	<b>194,087,891</b>	190,416,358

Our trade receivables increased by 1.9% from US\$190.4 million as of December 31, 2019 to US\$194.1 million as of June 30, 2020. The trade receivables remained relatively stable.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	<b>For the six months ended June 30, 2020</b>	For the year ended December 31, 2019
Trade receivables turnover days <sup>(1)</sup>	<b>64</b>	79

Note:

- (1) Trade receivables turnover days for each one-year period equals the average of the beginning and ending balances of trade receivables for that year divided by revenue for that year and multiplied by 365 days, and the trade receivables turnover days for a six-month period equals to the average of the beginning and ending balances of trade receivables for that period divided by revenue for that period and multiplied by 183 days.

Our trade receivables turnover days decreased from 79 days for the year ended December 31, 2019 to 64 days for the six months ended June 30, 2020.

### Prepayments and Other Receivables

Our prepayments and other receivables decreased by US\$13.4 million from US\$41.6 million as of December 31, 2019 to US\$28.2 million as of June 30, 2020, primarily due to the decrease in export tax rebates received and advance payment of income tax.

### 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 42.2% from US\$159.7 million as of December 31, 2019 to US\$92.3 million as of June 30, 2020. The decrease of the trade payables was mainly because of the strategy to reduce PVC reserve and the corresponding reduction of raw material procurement so as to adjust production volume appropriately in light of the impact of the outbreak of COVID-19 pandemic in the first half of 2020.

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

	<b>For the six months ended June 30, 2020</b>	For the year ended December 31, 2019
Trade payables turnover days <sup>(1)</sup>	<b>56</b>	91

Note:

- (1) Trade payables turnover days for each one-year period equals the average of the beginning and ending trade payables for that year divided by cost of sales for that year and multiplied by 365 days and the trade payables turnover days for a six-month period equals to the average of the beginning and the ending trade payables for that period divided by cost of sales for that period and multiplied by 183 days.

Our trade payables turnover days decreased from 91 days for the year ended December 31, 2019 to 56 days for the six months ended June 30, 2020 due to the significant decrease of trade payables paid to PVC suppliers.

### Other Payables and Accruals

Our other payables and accruals increased by 24.8% from US\$80.8 million to US\$100.8 million as of June 30, 2020 compared to December 31, 2019, mainly attributable to increase in commission payable to sales agent, discount payable to end customers and VAT tax payable in certain regions such as Europe.

### EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to June 30, 2020 which would materially affect the Group's operating and financial performance as at the date of this interim report.



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The shares of the Company (the “**Shares**”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (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**”).

According to the 2019 annual report published by the Company on April 16, 2020, the Company has used all the proceeds raised from the Listing as at December 31, 2019 in accordance with its development strategies, market conditions and intended use of such proceeds, which were set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

## EXPOSURE TO FOREIGN EXCHANGE RATE RISK

As sales of the Group are mostly quoted and settled in US dollars, the part of the sales proceeds received which are converted to Renminbi is exposed to foreign exchange rate risk. For further details in respect of our foreign exchange rate risk exposure and the internal control measures that we have taken to reduce foreign exchange rate risk, please refer to the section headed “Exposure to Foreign Exchange Rate Risk” under “Management Discussion and Analysis” on page 9 of this interim report.

## PLEDGE OF ASSETS

Save as disclosed under Note 19 to the condensed consolidated financial statements on page 59 to 61 of this interim report, no assets of the Group were pledged as security for bank borrowing as at June 30, 2020.

## SIGNIFICANT INVESTMENTS

The Group did not make any significant investments during the six months ended June 30, 2020 (the “**Reporting Period**”).

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As of June 30, 2020, the Group did not have other plans for material investments and capital assets.

## MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions or disposal of subsidiaries or associated companies during the Reporting Period.

## CONTINGENT LIABILITIES AND GUARANTEES

As at June 30, 2020, the Group did not have any material contingent liabilities or guarantees.

## INTERIM DIVIDEND

The board of Directors (the “**Board**”) did not recommend payment of interim dividend for the six months ended June 30, 2020.

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

As at June 30, 2020, the interests and short positions 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 Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 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 for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (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 <sup>(1)</sup>
Mr. Zhu Qiang	Interest in controlled corporation <sup>(2)</sup>	574,706,132	54.30%
	Beneficial owner	2,137,500	0.20%
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 June 30, 2020, 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 <sup>(1)</sup>	Interest in controlled corporation	756	100.00%
	Great Access <sup>(2)</sup>	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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as of June 30, 2020, 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 June 30, 2020, 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:

<b>Name of Shareholder</b>	<b>Nature of interest</b>	<b>Number of shares or underlying shares</b>	<b>Approximate percentage of interest in the Company<sup>(1)</sup></b>
Great Success	Beneficial owner	574,706,132	54.30%
Great Access <sup>(2)</sup>	Interest in controlled corporation	574,706,132	54.30%
MSNKS Investments II, LLC	Beneficial owner	152,942,740	14.45%
Mr. Bogdan Nowak <sup>(3)</sup>	Interest in controlled corporation	152,942,740	14.45%
	Beneficial owner	12,000,000	1.13%
Outland Enterprise Company Limited	Beneficial owner	64,297,233	6.07%

## Notes:

- (1) As at June 30, 2020, 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.

## SHARE OPTION SCHEME AND SHARE-BASED PAYMENTS SCHEME

Save as disclosed below and Note 18 to the condensed 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 interim 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 quotation 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 the shareholders of the Company (the “**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 18 to the condensed consolidated financial statements.



## CORPORATE GOVERNANCE AND OTHER INFORMATION

During the Reporting Period, the movements of the options which have been granted under the Share Option Scheme were as follows:

Category	Date of Grant	Exercise price per Share (HK\$)	Exercise Period <sup>(2)</sup>	Balance as at January 1, 2020	Number of share options			Balance as at June 30, 2020
					Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	
<b>Directors</b>								
Liu Feng	March 20, 2018	4.346 <sup>(1)</sup>	March 20, 2019 – March 20, 2023	400,000	–	–	–	400,000
Tan Guozheng	March 20, 2018	4.346 <sup>(1)</sup>	March 20, 2019 – March 20, 2023	600,000	–	–	–	600,000
Duan Kaifeng	March 20, 2018	4.346 <sup>(1)</sup>	March 20, 2019 – March 20, 2023	500,000	–	–	–	500,000
Total for Directors				1,500,000	–	–	–	1,500,000
<b>Employees</b>								
Employees of the Group	December 18, 2017	3.028 <sup>(3)</sup>	December 18, 2018 – December 18, 2022	10,000,000	–	–	10,000,000	0
	March 20, 2018	4.346 <sup>(1)</sup>	March 20, 2019 – March 20, 2023	12,460,000	–	–	4,620,000	7,840,000
Total for Employees of the Group				22,460,000	–	–	14,620,000	7,840,000
Total for all categories				23,960,000	–	–	14,620,000	9,340,000

## 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 18 to the condensed 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 18 to the condensed 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 six months ended June 30, 2020 and no other options were granted, exercised, cancelled or lapsed at any time during the Reporting Period.

## 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 changes in information of Director subsequent to the publication of the 2019 annual report of the Company are set out below:–

Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd., a company which Mr. Lam Yiu Kin currently acts as an independent non-executive director, has been successfully listed on STAR MARKET of the Shanghai Stock Exchange in June 2020, with A share stock code of 688505 and H share code of 1349.

## EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2020, the Group had 11,491 (as at June 30, 2019: 12,017) full-time employees. We provide wages, employee-related insurance and employee benefits to our employees. Remuneration packages for our employees mainly consist of base salary, welfare and bonus. For the six months ended June 30, 2020, the Group incurred total employee benefits expenses (including Directors' remuneration) of US\$60.9 million (for the six months ended June 30, 2019: US\$77.3 million). The Group provides continuing education and training programs to its employees to improve their skills. The Group also adopts evaluation programs through which its employees can receive feedback on their performance.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 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 the applicable code provisions as set out in the CG Code during the Reporting Period, save for code provision A.2.1 of the CG Code.

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

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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding the transactions of securities of the Company by its Directors and the relevant employees who likely possess inside information of the Company.

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

### AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, Mr. Lam Yiu Kin (Chairman), Mr. Dai Guoqiang and Mr. Yao Zhixian. The Group's interim financial statements for the six months ended June 30, 2020 have been reviewed by the Audit Committee together with the Board.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

### FINANCIAL INFORMATION

The Group's interim results for the six months ended June 30, 2020 have not been audited but have been reviewed by the Audit Committee together with the Board of the Company.

### 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 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.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2020

	Note	Six months ended June 30	
		2020 Unaudited US\$	2019 Unaudited US\$
Revenue from contracts with customers	7	572,356,066	601,691,932
Cost of sales	7	(413,759,620)	(446,965,412)
<b>Gross profit</b>		<b>158,596,446</b>	154,726,520
Selling and distribution expenses		(68,089,471)	(59,508,648)
General and administrative expenses		(34,576,057)	(39,763,954)
Net impairment losses on financial assets		(5,716,967)	(3,391,209)
Other income		6,542,941	7,512,498
Other expenses		(1,976,478)	(3,083,555)
Other (losses)/gains – net		(2,388,003)	6,116,022
<b>Operating profit</b>	8	<b>52,392,411</b>	62,607,674
Finance income		–	323,602
Finance expenses		(6,415,600)	(6,518,240)
<b>Finance expenses – net</b>		<b>(6,415,600)</b>	(6,194,638)
<b>Profit before income tax</b>		<b>45,976,811</b>	56,413,036
Income tax expense	9	(10,226,520)	(10,933,774)
<b>Profit for the period</b>		<b>35,750,291</b>	45,479,262
<b>Profit attributable to:</b>			
Shareholders of the Company		32,927,016	44,198,146
Non-controlling interests		2,823,275	1,281,116
		<b>35,750,291</b>	45,479,262
<b>Earnings per share for profit attributable to shareholders of the Company during the period</b>			
– Basic earnings per share	10	0.0311	0.0418
– Diluted earnings per share	10	0.0311	0.0417

The notes on pages 38 to 66 form an integral part of these condensed consolidated financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2020

	Six months ended June 30	
	2020	2019
	Unaudited US\$	Unaudited US\$
<b>Profit for the period</b>	<b>35,750,291</b>	45,479,262
<b>Other comprehensive income:</b>		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	(7,346,657)	(866,196)
<b>Other comprehensive income for the period, net of tax</b>	<b>(7,346,657)</b>	(866,196)
<b>Total comprehensive income for the period</b>	<b>28,403,634</b>	44,613,066
<b>Attributable to:</b>		
– Shareholders of the Company	<b>25,591,733</b>	43,168,746
– Non-controlling interests	<b>2,811,901</b>	1,444,320
<b>Total comprehensive income for the period</b>	<b>28,403,634</b>	44,613,066

The notes on pages 38 to 66 form an integral part of these condensed consolidated financial statements.



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

	Note	June 30, 2020 Unaudited US\$	December 31, 2019 Audited US\$
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	295,704,801	303,867,108
Right-of-use assets	12	39,642,714	39,818,377
Investment properties	12	8,862,642	9,384,023
Intangible assets	12	2,873,313	808,247
Deferred tax assets	13	5,276,034	5,227,224
Financial assets at fair value through other comprehensive income		649,231	649,231
Prepayments and other receivables		2,435,101	2,471,158
		<b>355,443,836</b>	362,225,368
<b>Current assets</b>			
Inventories		151,145,471	304,905,540
Contract assets		–	158,585
Trade receivables	14	194,087,891	190,416,358
Prepayments and other receivables		25,735,684	39,136,876
Financial assets at fair value through profit or loss	15	739,139	517,203
Derivative financial instruments	16	658,529	1,591,113
Restricted cash		2,829,781	9,279,173
Cash and cash equivalents		216,802,708	59,304,050
		<b>591,999,203</b>	605,308,898
<b>Total assets</b>		<b>947,443,039</b>	967,534,266
<b>Equity and liabilities</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital	17	1,355,633	1,355,633
Share premium	17	140,636,893	140,636,893
Other reserves		307,056,428	291,180,977
		<b>449,048,954</b>	433,173,503
<b>Non-controlling interests</b>		<b>5,338,965</b>	2,344,618
<b>Total equity</b>		<b>454,387,919</b>	435,518,121

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at June 30, 2020

	Note	June 30, 2020 Unaudited US\$	December 31, 2019 Audited US\$
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Bank borrowings	19	93,609,445	111,981,460
Lease liabilities		1,516,073	1,221,099
Deferred tax liabilities	13	968,333	806,372
Other payables and accruals		7,346,892	4,194,451
Retirement benefit obligations	20	639,972	557,226
Deferred income on government grants		4,049,900	4,741,050
		<b>108,130,615</b>	123,501,658
<b>Current liabilities</b>			
Trade payables	21	92,255,910	159,738,961
Other payables and accruals		93,472,781	76,574,402
Contract liabilities		5,253,084	15,793,786
Due to related parties		1,537,116	2,358,424
Current income tax liabilities		9,603,092	10,066,126
Bank borrowings	19	179,015,932	139,959,769
Lease liabilities		1,132,049	639,942
Derivative financial instruments	16	2,654,541	3,383,077
		<b>384,924,505</b>	408,514,487
<b>Total liabilities</b>		<b>493,055,120</b>	532,016,145
<b>Total equity and liabilities</b>		<b>947,443,039</b>	967,534,266

The notes on pages 38 to 66 form an integral part of these condensed consolidated financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2020

	Equity attributable to shareholders of the Company				Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Total		
	US\$	US\$	US\$	US\$	US\$	US\$
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
<b>Balance at January 1, 2020</b>	1,355,633	140,636,893	291,180,977	433,173,503	2,344,618	435,518,121
<b>Comprehensive income</b>						
Profit for the period	-	-	32,927,016	32,927,016	2,823,275	35,750,291
Other comprehensive income						
- Currency translation difference	-	-	(7,335,283)	(7,335,283)	(11,374)	(7,346,657)
<b>Total comprehensive income</b>	-	-	25,591,733	25,591,733	2,811,901	28,403,634
<b>Transactions with shareholders</b>						
Transactions with non-controlling interests	-	-	(177,124)	(177,124)	182,446	5,322
Employee share option schemes						
- value of employee services	18	-	(648,674)	(648,674)	-	(648,674)
Dividends	11	-	(8,890,484)	(8,890,484)	-	(8,890,484)
<b>Transactions with shareholders in total</b>	-	-	(9,716,282)	(9,716,282)	182,446	(9,533,836)
<b>Balance at June 30, 2020</b>	1,355,633	140,636,893	307,056,428	449,048,954	5,338,965	454,387,919

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended June 30, 2020

	Equity attributable to shareholders of the Company					Non-controlling interests	Total equity
	Note	Share capital	Share premium	Other reserves	Total		
		US\$	US\$	US\$	US\$		
		Unaudited	Unaudited	Unaudited	Unaudited		
<b>Balance at January 1, 2019</b>		1,355,633	140,636,893	267,337,647	409,330,173	(421,456)	408,908,717
<b>Comprehensive income</b>							
Profit for the period		–	–	44,198,146	44,198,146	1,281,116	45,479,262
Other comprehensive income							
– Currency translation difference		–	–	(1,029,400)	(1,029,400)	163,204	(866,196)
<b>Total comprehensive income</b>		–	–	43,168,746	43,168,746	1,444,320	44,613,066
<b>Transactions with shareholders</b>							
Employee share option schemes							
– value of employee services	18	–	–	541,579	541,579	–	541,579
Dividends	11	–	–	(13,018,209)	(13,018,209)	–	(13,018,209)
<b>Transactions with shareholders in total</b>		–	–	(12,476,630)	(12,476,630)	–	(12,476,630)
<b>Balance at June 30, 2019</b>		1,355,633	140,636,893	298,029,763	440,022,289	1,022,864	441,045,153

The notes on pages 38 to 66 form an integral part of these condensed consolidated financial statements.



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2020

	Six months ended June 30	
	2020	2019
	Unaudited US\$	Unaudited US\$
<b>Cash flows from operating activities</b>		
Cash generated from operations	179,069,418	93,300,662
Interest paid	(6,646,120)	(5,072,717)
Income tax paid	(4,538,201)	(9,584,295)
<b>Net cash generated from operating activities</b>	<b>167,885,097</b>	78,643,650
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(18,620,876)	(49,015,458)
Proceeds from disposal of property, plant and equipment	357,925	603,428
Purchases of right-of-use assets	–	(3,145,111)
Purchase of intangible assets	(47,107)	(150,287)
Purchase of financial assets at fair value through profit or loss	–	(8,000,000)
Proceeds from financial assets at fair value through profit or loss	–	3,076,525
Payments of derivative financial instruments	(5,394,814)	(10,518,326)
Interest received	–	323,602
<b>Net cash used in investing activities</b>	<b>(23,704,872)</b>	(66,825,627)
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	139,164,036	238,156,834
Repayments of borrowings	(117,105,130)	(154,089,940)
Principal elements of lease payments	(641,930)	(71,593)
Cash received from transactions with non-controlling interests	5,322	–
Dividends paid to shareholders of the Company	(8,890,484)	–
<b>Net cash generated from financing activities</b>	<b>12,531,814</b>	83,995,301
<b>Net increase in cash and cash equivalents</b>	<b>156,712,039</b>	95,813,324
Cash and cash equivalents at the beginning of period	59,304,050	31,574,293
Exchange gain on cash and cash equivalents	786,619	5,471
<b>Cash and cash equivalents at the end of the period</b>	<b>216,802,708</b>	127,393,088

The notes on pages 38 to 66 form an integral part of these condensed consolidated financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2020

## 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, the 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 members through Great Access Industry Inc. (“**Great Access**”) and Great Success Enterprise Holdings Limited (“**Great Success**”).

These condensed consolidated financial statements are presented in United States Dollars (“**US\$**”), unless otherwise stated. These condensed consolidated financial statements have been approved for issue by the Board of Directors (the “**Board**”) on August 20, 2020.

These condensed consolidated financial statements have not been audited.

## 2 BASIS OF PREPARATION

These condensed consolidated financial statements for the six months ended June 30, 2020 have been prepared in accordance with HKAS 34, “Interim financial reporting”. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

## 3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2019, as described in those annual financial statements except for the estimation of income tax.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

## 3 ACCOUNTING POLICIES (Continued)

### (a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards:

	<b>Effective for annual periods beginning on or after</b>	
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 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform	January 1, 2020
Amendments to HKFRS 16	COVID-19-Related Rent Concessions	June 1, 2020

### (b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on January 1, 2020 and have not been early adopted by the Group.

	<b>Effective for annual periods beginning on or after</b>	
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	January 1, 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	January 1, 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	January 1, 2022
HKFRS 17	Insurance contracts	January 1, 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to HKFRS Standards 2018-2020		January 1, 2022

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

## 4 ESTIMATES

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

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2019.

## 5 FINANCIAL RISK MANAGEMENT

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange rate risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2019.

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

### 5.2 Liquidity risk

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

## 5 FINANCIAL RISK MANAGEMENT *(Continued)*

### 5.2 Liquidity risk *(Continued)*

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

	Less than 1 year US\$	Between 1 and 2 years US\$	Between 2 and 5 years US\$	Total US\$
<b>At June 30, 2020 (Unaudited)</b>				
Bank borrowings	179,015,932	93,609,445	–	272,625,377
Interest payables for bank borrowings	7,870,907	2,366,375	–	10,237,282
Lease liabilities	1,240,620	954,237	666,580	2,861,437
Trade payables	92,255,910	–	–	92,255,910
Other payables	41,289,125	6,616,136	–	47,905,261
Due to related parties	1,537,116	–	–	1,537,116
	<b>323,209,610</b>	<b>103,546,193</b>	<b>666,580</b>	<b>427,422,383</b>
<b>At December 31, 2019 (Audited)</b>				
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
	<b>352,346,699</b>	<b>65,531,940</b>	<b>58,008,454</b>	<b>475,887,093</b>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

## 5 FINANCIAL RISK MANAGEMENT *(Continued)*

### 5.3 Fair value estimation

The Group adopts the amendment to HKFRS 13 for financial instruments that are measured in the consolidated statements 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).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

## 5 FINANCIAL RISK MANAGEMENT *(Continued)*

### 5.3 Fair value estimation *(Continued)*

The following table presents the Group's assets and liabilities that are measured at fair value as at June 30, 2020 and December 31, 2019.

	Level 2 US\$	Level 3 US\$	Total US\$
<b>At June 30, 2020 (Unaudited)</b>			
Financial assets at fair value through other comprehensive income			
– Unlisted equity interests	–	649,231	649,231
Financial assets at fair value through profit or loss (Note 15)			
– Wealth management products	739,139	–	739,139
Derivative financial instruments (Note 16)			
– Forward foreign exchange contracts	658,529	–	658,529
<b>Total assets</b>	<b>1,397,668</b>	<b>649,231</b>	<b>2,046,899</b>
Derivative financial instruments (Note 16)			
– Forward foreign exchange contracts	2,348,513	–	2,348,513
– Interest rate swap contracts	306,028	–	306,028
<b>Total liabilities</b>	<b>2,654,541</b>	<b>–</b>	<b>2,654,541</b>
<b>At December 31, 2019 (Audited)</b>			
Financial assets at fair value through other comprehensive income			
– Unlisted equity interests	–	649,231	649,231
Financial assets at fair value through profit or loss (Note 15)			
– Wealth management products	517,203	–	517,203
Derivative financial instruments (Note 16)			
– Forward foreign exchange contracts	1,591,113	–	1,591,113
<b>Total assets</b>	<b>2,108,316</b>	<b>649,231</b>	<b>2,757,547</b>
Derivative financial instruments (Note 16)			
– Forward foreign exchange contracts	3,383,077	–	3,383,077
<b>Total liabilities</b>	<b>3,383,077</b>	<b>–</b>	<b>3,383,077</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

## 5 FINANCIAL RISK MANAGEMENT *(Continued)*

### 5.3 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:

- 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.
- The fair value of interest rate swap contracts is the present value of the estimated future cash flows based on observable yield curves.

#### **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.

During the six months ended June 30, 2020, there were no transfers among levels of the fair value hierarchy used in measuring the fair value of financial instruments, and also no changes in the classification of financial assets as a result of a change in the purpose or use of those assets.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

### 6 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 mostly 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:

	<b>Six months ended June 30</b>	
	<b>2020</b>	2019
	<b>Unaudited</b>	Unaudited
	<b>US\$</b>	US\$
Europe (i)	<b>352,782,861</b>	342,557,000
North America (ii)	<b>167,183,540</b>	196,452,835
Asia Pacific (iii)	<b>27,114,385</b>	28,292,224
Including: Mainland China	<b>14,754,200</b>	12,656,140
Rest of the world (iv)	<b>25,275,280</b>	34,389,873
Total	<b>572,356,066</b>	601,691,932

No individual customer's revenue exceeds 10% of the Group's total revenue for each of the six months ended June 30, 2019 and 2020.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

## 6 SEGMENT INFORMATION *(Continued)*

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

	As at	
	June 30, 2020	December 31, 2019
	Unaudited	Audited
	US\$	US\$
Europe (i)	3,407,732	3,917,455
North America (ii)	3,124,785	3,149,845
Asia Pacific (iii)	342,671,003	349,074,569
Including: Mainland China	330,896,168	340,475,925
Rest of the world (iv)	315,051	207,044
Total	349,518,571	356,348,913

Notes:

- (i) Europe refers to countries in the European Economic Area (including the France, Germany, Italy and etc.), United Kingdom, 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.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

### 7 REVENUE FROM CONTRACTS WITH CUSTOMERS AND COST OF SALES

	Six months ended June 30			
	2020		2019	
	Revenue	Cost of sales	Revenue	Cost of sales
	Unaudited	Unaudited	Unaudited	Unaudited
	US\$	US\$	US\$	US\$
Above-ground Pools and Portable Spas	<b>317,090,786</b>	<b>226,342,416</b>	293,054,339	221,003,927
Recreation Products	<b>105,266,568</b>	<b>75,569,541</b>	118,326,318	86,446,019
Camping Products	<b>88,383,567</b>	<b>70,370,167</b>	102,664,738	80,397,556
Sporting Products	<b>61,615,145</b>	<b>41,477,496</b>	87,646,537	59,117,910
	<b>572,356,066</b>	<b>413,759,620</b>	601,691,932	446,965,412

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

## 8 OPERATING PROFIT

An analysis of the amounts presented as operating items in the condensed consolidated statement of profit or loss is given below.

	Six months ended June 30	
	2020	2019
	Unaudited US\$	Unaudited US\$
Change in work in progress and finished goods	<b>139,632,823</b>	97,736,864
Raw materials and consumables used	<b>213,635,641</b>	269,200,442
Wages and salaries, social welfare and benefits, including director's emoluments	<b>60,880,068</b>	77,314,416
Transportation expenses	<b>24,652,030</b>	22,749,166
Depreciation and amortisation	<b>14,264,381</b>	12,487,146
Service fees and commissions	<b>13,952,092</b>	9,955,109
Utility fee	<b>7,341,036</b>	8,880,710
Advertising and promotion expenses	<b>6,174,611</b>	6,091,007
Processing fee	<b>4,821,146</b>	5,995,347
Net impairment loss on financial assets	<b>5,716,967</b>	3,391,209
Write-down of inventories	<b>1,580,547</b>	69,731
Rental and related services income	<b>(2,111,921)</b>	(2,263,991)
Government grants	<b>(1,368,464)</b>	(1,518,682)
Realised losses on derivative financial instruments	<b>5,394,814</b>	10,518,326
Unrealised fair value changes on derivative financial instruments	<b>204,048</b>	(15,291,926)
Losses on disposal of property, plant and equipment	<b>124,745</b>	1,613,503
Net foreign exchange gains	<b>(3,105,236)</b>	(1,503,277)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

### 9 INCOME TAX EXPENSE

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

	Six months ended June 30	
	2020 Unaudited US\$	2019 Unaudited US\$
Current income tax	10,127,379	10,856,390
Deferred income tax (Note 13)	99,141	77,384
Income tax expenses – net	10,226,520	10,933,774

#### (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 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% for the reporting period.

#### (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% for the reporting period.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

### 9 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 reporting period.

The Company's subsidiary, Bestway (Vietnam) Recreation Limited, has preferential tax rate of 10% for 15 years from the first year it generates revenue from business activities, and is exempted from income tax for 4 years and entitled to a 50% reduction in income tax for the subsequent 9 years since the first year of arising taxable income from principal 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.

### 10 EARNINGS PER SHARE

#### (a) Basic

Basic earnings per share is calculated by dividing the net profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue for each six months ended June 30, 2020 and 2019.

	Six months ended June 30	
	2020 Unaudited	2019 Unaudited
Profit attributable to the shareholders of the Company (US\$)	32,927,016	44,198,146
Weighted average number of ordinary shares in issue	1,058,391,000	1,058,391,000
Basic earnings per share (US\$)	0.0311	0.0418

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

### 10 EARNINGS PER SHARE (Continued)

#### (b) Diluted

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

	Six months ended June 30	
	2020 Unaudited	2019 Unaudited
Profit attributable to the shareholders of the Company (US\$)	<b>32,927,016</b>	44,198,146
Weighted average number of ordinary shares in issue	<b>1,058,391,000</b>	1,058,391,000
Adjustments for share options	–	1,156,195
	<b>1,058,391,000</b>	1,059,547,195
Diluted earnings per share (US\$)	<b>0.0311</b>	0.0417

### 11 DIVIDENDS

A dividend of US\$8,890,484 for the year ended December 31, 2019, representing US\$0.0084 per fully paid share, was approved by the shareholders at the annual general meeting held on May 20, 2020 and paid in June 2020 (Six months ended June 30, 2019: a dividend of US\$13,018,209 for the year ended December 31, 2018, representing US\$0.0123 per fully paid share, was approved on May 27, 2019 and paid in July 2019).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

### 12 PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS, INVESTMENT PROPERTY AND INTANGIBLE ASSETS

	Property, plant and equipment US\$	Right-of-use assets US\$	Investment property US\$	Intangible assets US\$
<b>Six months ended June 30, 2020 (Unaudited)</b>				
Opening net book amount as at January 1, 2020	303,867,108	39,818,377	9,384,023	808,247
Additions	11,442,921	1,407,990	–	47,107
Transfer from construction in progress to intangible assets	(2,411,457)	–	–	2,411,457
Disposals	(482,670)	–	–	–
Depreciation charge	(12,488,221)	(1,021,554)	(384,454)	(370,152)
Currency translation differences	(4,222,880)	(562,099)	(136,927)	(23,346)
<b>Closing net book amount as at June 30, 2020</b>	<b>295,704,801</b>	<b>39,642,714</b>	<b>8,862,642</b>	<b>2,873,313</b>
<b>Six months ended June 30, 2019 (Unaudited)</b>				
Opening net book amount as at January 1, 2019	295,739,921	34,359,812	8,477,978	1,042,848
Additions	18,385,735	4,071,908	–	150,287
Disposals	(2,216,931)	–	–	–
Depreciation charge	(11,424,809)	(465,745)	(298,208)	(298,384)
Currency translation differences	(497,884)	(57,158)	(13,934)	(3,376)
<b>Closing net book amount as at June 30, 2019</b>	<b>299,986,032</b>	<b>37,908,817</b>	<b>8,165,836</b>	<b>891,375</b>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

## 13 DEFERRED INCOME TAX

### Deferred income tax assets

	Six months ended June 30	
	2020 Unaudited US\$	2019 Unaudited US\$
Opening balance at January 1	5,227,224	4,632,922
Credited to the condensed consolidated statement of profit or loss	84,268	1,448
Currency translation differences	(35,458)	(4,269)
Closing balance at June 30	5,276,034	4,630,101

### Deferred income tax liabilities

	Six months ended June 30	
	2020 Unaudited US\$	2019 Unaudited US\$
Opening balance at January 1	806,372	744,426
Charged to the condensed consolidated statement of profit or loss	183,409	78,832
Currency translation differences	(21,448)	(1,467)
Closing balance at June 30	968,333	821,791

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

### 14 TRADE RECEIVABLES

	As at	
	June 30, 2020 Unaudited US\$	December 31, 2019 Audited US\$
Trade receivables	205,138,129	195,013,276
Less: allowance for impairment of trade receivables	(11,050,238)	(4,596,918)
Trade receivables – net	194,087,891	190,416,358

As at June 30, 2020 and December 31, 2019, the aging analysis of the trade receivables based on invoice date is as follows:

	As at	
	June 30, 2020 Unaudited US\$	December 31, 2019 Audited US\$
Up to 3 months	158,706,747	132,653,943
4 to 6 months	34,633,931	22,912,306
7 to 12 months	7,776,299	38,927,790
Over 1 year	4,021,152	519,237
	205,138,129	195,013,276

The credit terms granted to customers by the Group are normally 30 to 280 days.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

### 14 TRADE RECEIVABLES *(Continued)*

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

	As at	
	June 30, 2020 Unaudited US\$	December 31, 2019 Audited US\$
US\$	138,016,523	186,539,425
EUR	64,180,798	3,929,367
RMB	2,935,094	4,510,752
Other currencies	5,714	33,732
	<b>205,138,129</b>	195,013,276

### 15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	June 30, 2020 Unaudited US\$	December 31, 2019 Audited US\$
Wealth management products	739,139	517,203

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 (losses)/gains – net' in the condensed consolidated statements of profit or loss.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

### 16 DERIVATIVE FINANCIAL INSTRUMENTS

	As at			
	June 30, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
	Unaudited US\$	Unaudited US\$	Audited US\$	Audited US\$
– Forward foreign exchange contracts (a)	658,529	2,348,513	1,591,113	3,383,077
– Interest rate swap contracts (b)	–	306,028	–	–
	<b>658,529</b>	<b>2,654,541</b>	1,591,113	3,383,077

(a) The notional principal amounts of the RMB and EUR forward foreign exchange contracts at June 30, 2020 and 2019 were US\$340,424,936 and US\$394,531,004, respectively.

(b) The Group entered into three interest rate swap contracts with a notional amount of US\$20,000,000, US\$25,000,000 and US\$20,000,000 at an average fixed interest rate of 3.10%, 3.05% and 2.95% per annum as at April 23, 2020, May 6, 2020 and May 11, 2020, respectively. These interest rate swap contracts are due in April, 2022.

### 17 SHARE CAPITAL AND SHARE PREMIUM

	Number of issued shares	Share capital US\$	Share premium US\$	Total US\$
At January 1, 2020 and June 30, 2020	1,058,391,000	1,355,633	140,636,893	141,992,526
At January 1, 2019 and June 30, 2019	1,058,391,000	1,355,633	140,636,893	141,992,526

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

## 18 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 granted on December 18, 2017 lapsed automatically on May 1, 2020 due to the termination of the employee's employment.

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 and April 2, 2020, the Group cancelled options of 5,110,000 and 4,620,000 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 2,335,000 options are exercisable during the period from March 20, 2019 to March 20, 2023.
- (b) The second tranche of 2,335,000 options are exercisable during the period from March 20, 2020 to March 20, 2023.
- (c) The third tranche of 2,335,000 options are exercisable during the period from March 20, 2021 to March 20, 2023.
- (d) The fourth tranche of 2,335,000 options are exercisable during the period from March 20, 2022 to March 20, 2023.

Movements in the number of share options outstanding and their related weighted average exercise prices for the period ended June 30, 2020 and June 30, 2019 were as follows:

	2020		2019	
	Weighted average exercise price in HKD	Number of options	Weighted average exercise price in HKD	Number of options
At January 1	3.796	23,960,000	3.893	29,070,000
Cancelled	4.346	(4,620,000)	4.346	(5,110,000)
Lapsed	3.028	(10,000,000)	–	–
At June 30	4.346	9,340,000	3.796	23,960,000

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

## 18 SHARE-BASED PAYMENTS *(Continued)*

### Employees share option scheme *(Continued)*

Share options outstanding as at June 30, 2020 have the following expiry dates and exercise prices:

Expiry date	Exercise price HKD per share	Number of options
March 20, 2023	4.346	9,340,000

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).

After cancellation and lapse of parts of share options mentioned above, the total fair value as at June 30, 2020 and June 30, 2019 is approximately HKD10,380,998 (equivalent to US\$1,323,534) and HKD15,515,924 (equivalent to US\$1,978,215).

#### 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 reversed and charged to the condensed consolidated statement of profit or loss during the period ended June 30, 2020 and June 30, 2019 was approximately HKD5,063,106 (equivalent to US\$648,674) and HKD4,247,818 (equivalent to US\$541,579).



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

## 19 BANK BORROWINGS

	As at	
	June 30, 2020	December 31, 2019
	Unaudited	Audited
	US\$	US\$
<b>Non-current</b>		
Bank borrowings		
– Secured	137,118,741	129,721,784
Less: current portion of long-term bank borrowings	(43,509,296)	(17,740,324)
Total non-current borrowings	93,609,445	111,981,460
<b>Current</b>		
Short-term bank borrowings		
-Secured	133,169,153	117,243,451
-Unsecured	2,337,483	4,975,994
Add: current portion of long-term bank borrowings	43,509,296	17,740,324
Total current borrowings	179,015,932	139,959,769
<b>Total borrowings</b>	<b>272,625,377</b>	<b>251,941,229</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

### 19 BANK BORROWINGS *(Continued)*

As at June 30, 2020, the secured bank borrowings were secured as follows:

1. the bank borrowings amounting to EUR8,859,405 (equivalent to US\$9,962,223) was secured by trade receivables amounting to EUR 11,074,256 (equivalent to US\$12,452,778);
2. the bank borrowings amounting to RMB100,000,000 (equivalent to US\$14,125,291) and US\$1,198,559 were secured by buildings and land use rights with net book value of RMB105,500,467 (equivalent to US\$14,902,248) and RMB30,246,913 (equivalent to US\$4,272,465), respectively;
3. the bank borrowings amounting to US\$114,628,487 and RMB733,890,000 (equivalent to US\$103,664,102) were guaranteed by subsidiaries of the Company;
4. the bank borrowings amounting to RMB170,703,409 (equivalent to US\$24,112,354) and US\$2,596,878 were secured by buildings, and machinery and factory equipment with net book value of RMB525,577,578 (equivalent to US\$74,239,364), RMB146,728,044 (equivalent to US\$20,725,764), and RMB59,147,516 (equivalent to US\$8,354,759), respectively. They were also guaranteed by subsidiaries of the Company.

As at December 31, 2019, the secured bank borrowings were secured as follows:

1. the bank borrowings amounting to EUR871,232 (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 (equivalent to 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

### 19 BANK BORROWINGS (Continued)

The Group has the following undrawn borrowing facilities:

	As at	
	June 30, 2020 Unaudited US\$	December 31, 2019 Audited US\$
Floating rate:		
– Expiring within one year	95,767,168	–
– Expiring beyond one year	8,349,883	82,200,260
Fixed rate:		
– Expiring within one year	155,478,482	227,878,651
	259,595,533	310,078,911

### 20 RETIREMENT BENEFIT OBLIGATIONS

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

	As at	
	June 30, 2020 Unaudited US\$	December 31, 2019 Audited US\$
<b>Liability for:</b>		
– post-retirement benefit obligations	639,972	557,226
<b>Statement of profit or loss charge included in operating profit for:</b>		
– post-retirement benefit obligations	91,544	155,262

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 condensed consolidated 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

### 21 TRADE PAYABLES

	As at	
	June 30, 2020	December 31, 2019
	Unaudited	Audited
	US\$	US\$
Trade payables – third parties	<b>92,255,910</b>	159,738,961

As at June 30, 2020 and December 31, 2019, the aging analysis of the trade payables based on invoice date was as follows:

	As at	
	June 30, 2020	December 31, 2019
	Unaudited	Audited
	US\$	US\$
Within 3 months	<b>86,653,382</b>	156,738,029
4 to 6 months	<b>4,762,497</b>	305,365
7 to 12 months	<b>488,579</b>	2,449,918
1 – 2 years	<b>351,452</b>	245,649
	<b>92,255,910</b>	159,738,961

### 22 COMMITMENTS

#### (a) Capital commitments

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

	As at	
	June 30, 2020	December 31, 2019
	Unaudited	Audited
	US\$	US\$
Contracted but not provided for property, plant and equipment	<b>3,078,458</b>	1,465,667

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

### 23 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the reporting periods, and balances arising from related party transactions as at the respective balance sheet dates.

Name and relationship with related parties are set out below:

Related party	Relationship
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
Hai'an Shitong Plastic Production Factory ("Hai'an Shitong")	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
Hai'an Yaming Plastic Production Company Limited ("Hai'an Yaming")	Entity controlled by a relative of the ultimate controlling shareholder

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

### 23 RELATED PARTY TRANSACTIONS *(Continued)*

#### (a) Transactions with related parties

##### Continuing transactions

	Six months ended June 30	
	2020	2019
	Unaudited US\$	Unaudited US\$
(i) <i>Purchases from</i>		
– Hai'an Shitong	674,488	165,252
– Shanghai Mingwei	609,246	745,661
– Nantong Jiemao	374,806	785,810
– Hai'an Yaming	277,345	–
– Shanghai Jiufeng	86,305	233,555
– Shanghai Shitong	–	907,307
– Shanghai Yaming	–	478,436
	<b>2,022,190</b>	3,316,021

The related party transactions above were carried out on terms mutually agreed between the parties. In the opinion of the directors of the Company, these transactions are in the ordinary courses of business of the Group and in accordance with the terms of the underlying agreements.

##### (ii) *Key management compensation:*

	Six months ended June 30	
	2020	2019
	Unaudited US\$	Unaudited US\$
Salaries, bonus and other welfares	563,743	1,728,622

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

### 23 RELATED PARTY TRANSACTIONS (Continued)

#### (b) Balances with related parties

##### (i) Amount due from related parties:

	As at	
	June 30, 2020 Unaudited US\$	December 31, 2019 Audited US\$
– Patrizio Fumagalli	–	360,881

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.

##### (ii) Amount due to related parties:

	As at	
	June 30, 2020 Unaudited US\$	December 31, 2019 Audited US\$
Trade payables		
– Shanghai Mingwei	537,308	616,938
– Nantong Jiemao	367,062	512,921
– Hai'an Shitong	359,871	65,758
– Hai'an Yaming	225,094	8,610
– Shanghai Jiufeng	47,781	145,267
– Shanghai Shitong	–	636,291
– Shanghai Yaming	–	372,639
	<b>1,537,116</b>	<b>2,358,424</b>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2020

### 23 RELATED PARTY TRANSACTIONS *(Continued)*

#### (b) Balances with related parties *(Continued)*

##### (ii) Amount due to related parties: *(Continued)*

As at June 30, 2020 and December 31, 2019, the aging analysis of the above trade payables due to related parties based on invoice date was as follows:

	As at	
	June 30, 2020 Unaudited US\$	December 31, 2019 Audited US\$
Within 3 months	1,512,962	2,358,424
4 to 6 months	24,154	–
	1,537,116	2,358,424

### 24 CONTINGENCIES

As at June 30, 2020, there were two outstanding litigations regarding intellectual property rights and advertising activities 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.



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