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Alpha Era International Holdings Limited

合寶豐年控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8406)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2021

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “**Directors**”) of Alpha Era International Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL RESULTS

The board of Directors (the “**Board**”) is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 31 March 2021 (the “**Period**”), together with the unaudited comparative figures for the corresponding period in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2021

		For the three months ended 31 March	
	Note	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Revenue	3	63,125	48,489
Cost of sales		<u>(48,639)</u>	<u>(37,005)</u>
Gross profit		14,486	11,484
Other income and gains		29	289
Distribution and selling expenses		(4,544)	(3,785)
Administrative expenses		(4,537)	(3,292)
Finance costs		<u>(487)</u>	<u>(444)</u>
Profit before tax		4,947	4,252
Income tax expense	4	<u>(1,112)</u>	<u>(890)</u>
Profit for the period	5	3,835	3,362
Other comprehensive income, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>31</u>	<u>924</u>
Other comprehensive income for the period		<u>31</u>	<u>924</u>
Total comprehensive income for the period		<u><u>3,866</u></u>	<u><u>4,286</u></u>
		<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share			
– Basic and diluted	6	<u><u>0.48</u></u>	<u><u>0.42</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2021

	Attributable to the owners of the Company						Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Statutory reserve RMB'000	Foreign currency translation reserve RMB'000	Retained profit RMB'000	
Balance at 1 January 2021 (Audited)	6,969	26,558	17,429	8,067	859	62,024	121,906
Profit for the period	–	–	–	–	–	3,835	3,835
Other comprehensive income for the period	–	–	–	–	31	–	31
Total comprehensive income for the period	–	–	–	–	31	3,835	3,866
Balance at 31 March 2021 (Unaudited)	<u>6,969</u>	<u>26,558</u>	<u>17,429</u>	<u>8,067</u>	<u>890</u>	<u>65,859</u>	<u>125,772</u>
Balance at 1 January 2020 (Audited)	6,969	26,558	17,429	6,529	1,944	45,433	104,862
Profit for the period	–	–	–	–	–	3,362	3,362
Other comprehensive income for the period	–	–	–	–	924	–	924
Total comprehensive income for the period	–	–	–	–	924	3,362	4,286
Balance at 31 March 2020 (Unaudited)	<u>6,969</u>	<u>26,558</u>	<u>17,429</u>	<u>6,529</u>	<u>2,868</u>	<u>48,795</u>	<u>109,148</u>

NOTES TO UNAUDITED CONDENSED FINANCIAL RESULTS

1. GENERAL INFORMATION

Alpha Era International Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 3 November 2015. The shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 7 December 2017. Its parent and ultimate holding company is Nonton Limited (“**Nonton**”), a company incorporated in the British Virgin Islands (“**BVI**”) with limited liability and wholly-owned by Mr. Lee King Sun (“**Mr. Lee**”).

The addresses of the registered office and the principal place of business of the Company are Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands and Unit 902, 9th Floor, LT Tower, 31 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong, respectively.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “**Group**”) is principally engaged in the manufacturing and sales of inflatable products and related accessories.

Items included in the financial statements of each of the Group’s subsidiaries are measured using the currency of the primary economic environment in which the respective entity operates (the “**functional currency**”). The functional currency of the Company is Hong Kong dollars (“**HK\$**”). The unaudited condensed consolidated financial statements are presented in Renminbi (“**RMB**”), rounded to the nearest thousand, which is different from the functional currency of the Company as the Group’s dominated operations are substantially based in the People’s Republic of China (the “**PRC**”).

2. BASIS OF PREPARATION

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

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

Amendments to HKFRS 16

Amendment to HKFRS 9, Hong Kong Accounting
Standard 39, HKFRS 7, HKFRS 4 and HKFRS 16

Covid-19 Related Rent Concessions

Interest Rate Benchmark Reform – Phase 2

3. REVENUE AND SEGMENT INFORMATION

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it has one operating segment which is the manufacturing and sales of inflatable products and related accessories.

Since there is only one operating segment of the Group, no further analysis for segment information is presented.

Revenue

	For the three months ended 31 March	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from customer		
– Sales of inflatable products and related accessories	62,655	48,056
– Sub-contracting income	470	433
	63,125	48,489

Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of revenue is based on the locations of the customers.

	For the three months ended 31 March	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from external customers		
– China	5,544	11,071
– Europe	18,583	10,597
– Australia and Oceania	515	–
– North America	22,284	3,724
– Asia	16,199	23,082
– Central and South America	–	15
	63,125	48,489

4. INCOME TAX EXPENSE

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

	For the three months ended 31 March	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax for the period		
Hong Kong Profits Tax	402	409
PRC Enterprise Income Tax	565	395
Deferred tax	145	86
Total income tax recognised in profit or loss	<u>1,112</u>	<u>890</u>

The Group is subjected to Hong Kong Profits Tax at a rate of 16.5%.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years, unless preferential rate is applicable. A wholly-owned subsidiary of the Company located in the Zhongshan Zone is registered as a New and High Technology Enterprise and is entitled to the preferential corporate income tax rate of 15% for a period of 3 years from 2020 to 2022.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

5. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging/(crediting):

	For the three months ended 31 March	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories recognised as an expense	48,639	37,005
Depreciation of property, plant and equipment	364	442
Depreciation of right-of-use assets	993	832
Amortisation of intangible assets	28	26
Net foreign exchange losses/(gains)	145	(51)
Short term lease expenses	8	3
Employee benefits expense (including directors' emoluments)		
Salaries, wages and other benefits	13,455	8,630
Contribution to retirement benefits schemes	1,122	370
Total employee benefits expense	<u>14,577</u>	<u>9,000</u>

6. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	For the three months ended 31 March	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	<u>3,835</u>	<u>3,362</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>800,000</u>	<u>800,000</u>

The diluted earnings per share is equal to the basic earnings per share as there is no dilutive potential ordinary share in issue during the three months ended 31 March 2021 and 2020.

7. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the three months ended 31 March 2021. (2020: Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

In order to meet the market demand for inflatable playground products, in addition to the factory in Heyuan City, Guangdong Province which started production in early 2020, the Group has set up a new factory in Yongzhou City, Hunan Province in December 2020 that has started production in the first quarter of 2021. The Group expects these new production facilities can provide long term contribution to the Group's revenue and profits.

Looking back to the first quarter of 2021, the Group recorded a total revenue of RMB63,125,000 for the Period, representing an increase of approximately RMB14,636,000 or 30.2% as compared to approximately RMB48,489,000 for the corresponding period in 2020. The profit for the Period was approximately RMB3,835,000, representing an increase of approximately RMB473,000 or 14.1% as compared to the profit of approximately RMB3,362,000 for the corresponding period in 2020.

Looking ahead to upcoming quarters this year, the Group expects to maintain a steady growth in revenue from the sales of inflatable products. Furthermore, the new spunbond meltblown spunbond ("SMS") non-woven fabrics production line has commenced trial production and sales in the first quarter, the Group expects this production line can also provide positive impact to the Group's long-term development.

FINANCIAL REVIEW

Revenue

The Group's revenue was approximately RMB63,125,000 for the Period, representing an increase of approximately RMB14,636,000 or 30.2% as compared to the revenue of approximately RMB48,489,000 for the corresponding period in 2020. Revenue from the sales of inflatable playgrounds with air blowers for the Period was approximately RMB54,748,000 (2020: approximately RMB38,552,000), representing an increase of approximately RMB16,196,000 or 42.0% compared with the corresponding period in 2020, which accounted for approximately 86.7% of the Group's total revenue (2020: approximately 79.5%); revenue from the sales of other inflatable products for the Period was approximately RMB167,000 (2020: approximately RMB1,181,000), representing a decrease of approximately RMB1,014,000 or 85.9% compared with the corresponding period in 2020, which accounted for approximately 0.3% of the Group's total revenue (2020: approximately 2.4%); revenue from the sales of electronic solar products for the Period was approximately RMB5,207,000 (2020: approximately RMB7,069,000), representing a decrease of approximately RMB1,862,000 or 26.3%, which accounted for approximately 8.2% of the Group's total revenue (2020: approximately 14.6%); revenue from the sales of inflatable products related accessories and subcontracting work for the Period was approximately RMB3,003,000 (2020: approximately RMB1,687,000), representing an increase of approximately RMB1,316,000 or 78.0%, which accounted for approximately 4.8% of the Group's total revenue (2020: approximately 3.5%).

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

Cost of sales

Cost of sales was approximately RMB48,639,000 for the Period, representing an increase of approximately RMB11,634,000 or 31.4% as compared to approximately RMB37,005,000 for the corresponding period in 2020 which was generally in line with the increase in revenue.

Gross profit and gross profit margin

The Group recorded a gross profit of approximately RMB14,486,000 for the Period, representing an increase of approximately RMB3,002,000 or 26.1% compared with the corresponding period in 2020 (2020: approximately RMB11,484,000). Gross profit margin remained relatively stable at approximately 22.9% for the Period (2020: approximately 23.7%).

Other income and gains

Total other income and gains was approximately RMB29,000 for the Period, representing a decrease of approximately RMB260,000 as compared with that of the corresponding period (2020: approximately RMB289,000). The decrease was mainly due to (i) a decrease in grants and subsidies from the PRC government of approximately RMB205,000; and (ii) a decrease in exchange gains of approximately RMB51,000.

Distribution and selling expenses

Total distribution and selling expenses was approximately RMB4,544,000 for the Period (2020: approximately RMB3,785,000), representing an increase of approximately RMB759,000 or 20.1% as compared to that of the corresponding period in 2020. The increase was mainly due to the Group increased spending in freight and transportation expenses of approximately RMB381,000 and commission and sales service expenses of approximately RMB398,000.

Administrative expenses

The administrative expenses was approximately RMB4,537,000 for the Period (2020: approximately RMB3,292,000), representing an increase of approximately RMB1,245,000 or 37.8% as compared to that of the corresponding period in 2020. The increase was mainly due to the increase in (i) employees and benefits expenses of approximately RMB291,000; (ii) utilities and office expenses of approximately RMB496,000; and (iii) net foreign exchange loss of approximately RMB145,000.

Finance costs

The Group recorded interest on lease liabilities of approximately RMB487,000 for the Period, representing an increase of approximately RMB43,000 or 9.7% as compared with the corresponding period in 2020 (2020: approximately RMB444,000).

Profit for the period

Profit for the Period was approximately RMB3,835,000, representing an increase of approximately RMB473,000 or 14.1% as compared with that of the corresponding period (2020: approximately RMB3,362,000).

Dividends

The Board does not recommend the payment of any interim dividend for the Period. (2020: Nil)

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2021, the interests and short positions of the Directors and chief executive of the Company (the “**Chief Executive**”) in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”)) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rules 5.46 to 5.68 of the GEM Listing Rules (the “**Required Standard of Dealings**”) were as follows:

Long positions in ordinary shares of the Company

Name of Director/ Chief Executive	Capacity/Nature of interest	Number of underlying Shares	Percentage of shareholding (Note 2)
Mr. Lee Kin Kee (Note 1)	Interest in a controlled corporation	172,244,000	21.53%

Notes:

- (1) Mr. Lee Kin Kee (“**Mr. Kevin Lee**”) beneficially owns the entire share capital of Blink Wishes Limited. Therefore, Mr. Kevin Lee is deemed, or taken to be, interested in all the Shares held by Blink Wishes Limited for the purpose of the SFO.
- (2) The percentage is calculated on the basis of 800,000,000 shares in issue as at the date of this announcement.

Save as disclosed above, as at 31 March 2021, none of the Directors or the Chief Executive or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Required Standard of Dealings.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL AND OTHER SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2021, so far as is known to the Directors and the Chief Executive and based on the public records filed on the website of the Stock Exchange and records kept by the Company, the interest and short positions of the persons or corporations (other than the Directors and the Chief Executive) in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company:

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

Notes:

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

Save as disclosed above, as at 31 March 2021, the Directors were not aware of any person or corporation (other than the Directors and the Chief Executive) who had any interest or short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the “**Share Option Scheme**”) on 15 November 2017 pursuant to the written resolution of the shareholders of the Company on 15 November 2017 for the purpose of providing additional incentives to eligible participants for their contribution to the Group and/or enabling the Group to attract and retain best available personnel that are valuable to the Group.

No share option had been granted under the Share Option Scheme since its adoption on 15 November 2017 to the date of this announcement.

COMPETING AND CONFLICT OF INTERESTS

None of the Directors, the controlling shareholders or substantial shareholders of the Company and their respective close associates had engaged in any business which competes or may compete, directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the Period.

INTERESTS OF THE COMPLIANCE ADVISER

As at 31 March 2021, as notified by the Company’s compliance adviser, Frontpage Capital Limited (the “**Compliance Adviser**”), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with Directors, all Directors confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES

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

CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions of the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules (the “**CG Code**”). During the Period, to the best knowledge of the Board, the Company had complied with the applicable code provisions of the CG Code.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established on 20 June 2017 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 and C.3.7 of the CG Code. The Audit Committee currently comprises all three independent non-executive Directors of the Company and is chaired by Mr. Ho Hin Chung. The other members are Mr. Mao Guohua and Mr. Liu Zexing. The primary duties of the Audit Committee are mainly to review and supervise the financial reporting process and the internal control procedures of the Group.

The unaudited condensed financial results for the Period have not been audited by the Company’s independent auditors, but have been reviewed by the Audit Committee. The Audit Committee is of the opinion that such results complied with the applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

By order of the Board
Alpha Era International Holdings Limited
Huang Xiaodong
Chairman

Hong Kong, 13 May 2021

As at the date of this announcement, the Board comprises Mr. Huang Xiaodong and Mr. Xiao Jiansheng as executive Directors; Mr. Lee Kin Kee as non-executive Director; and Mr. Mao Guohua, Mr. Liu Zexing and Mr. Ho Hin Chung as independent non-executive Directors.

*This announcement will remain on the website of the Stock Exchange at www.hkexnews.hk on the “**Latest Listed Company Information**” page for at least 7 days from the date of its posting and on the Company’s website at www.alpha-era.co.*