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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 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 six months ended 30 June 2021 (the “**Period**”), together with the unaudited comparative figures for the corresponding period in 2020, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2021

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	5	83,891	75,766	147,016	124,255
Cost of sales		(61,559)	(53,518)	(110,198)	(90,523)
Gross profit		22,332	22,248	36,818	33,732
Other income and gains	6	723	127	752	416
Distribution and selling expenses		(10,292)	(4,569)	(14,836)	(8,354)
Administrative expenses		(4,569)	(3,706)	(9,106)	(6,998)
Finance costs	7	(509)	(858)	(996)	(1,302)
Profit before tax		7,685	13,242	12,632	17,494
Income tax expense	8	(2,102)	(2,042)	(3,214)	(2,932)
Profit for the period	9	5,583	11,200	9,418	14,562
Other comprehensive (expense)/ income, net of income tax					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		(346)	(123)	(315)	801
Other comprehensive (expense)/income for the period		(346)	(123)	(315)	801
Total comprehensive income for the period		5,237	11,077	9,103	15,363
		RMB cents	RMB cents	RMB cents	RMB cents
Earnings per share					
– Basic and diluted	10	0.70	1.40	1.18	1.82

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Note</i>	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment	12	21,594	21,855
Right-of-use assets		19,388	20,244
Intangible assets	13	505	544
Deferred tax assets		1,218	1,414
		<u>42,705</u>	<u>44,057</u>
Current assets			
Inventories		58,821	52,361
Trade and other receivables	14	68,958	32,137
Tax recoverable		–	128
Cash and bank balances		30,272	52,114
		<u>158,051</u>	<u>136,740</u>
Total assets		<u><u>200,756</u></u>	<u><u>180,797</u></u>
Current liabilities			
Trade and other payables	15	43,390	33,262
Lease liabilities		3,698	3,284
Current tax liabilities		2,056	1,274
		<u>49,144</u>	<u>37,820</u>
Net current assets		<u>108,907</u>	<u>98,920</u>
Total assets less current liabilities		<u>151,612</u>	<u>142,977</u>
Non-current liabilities			
Lease liabilities		17,902	18,810
Deferred tax liabilities		2,701	2,261
		<u>20,603</u>	<u>21,071</u>
Net assets		<u><u>131,009</u></u>	<u><u>121,906</u></u>
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	16	6,969	6,969
Reserves		124,040	114,937
		<u>131,009</u>	<u>121,906</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to the owners of the Company						
					Foreign currency		
	Share capital	Share premium	Special reserve	Statutory reserve	translation reserve	Retained profit	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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	–	–	–	–	–	9,418	9,418
Other comprehensive expense for the period	–	–	–	–	(315)	–	(315)
Total comprehensive income/(expense) for the period	–	–	–	–	(315)	9,418	9,103
Balance at 30 June 2021 (Unaudited)	<u>6,969</u>	<u>26,558</u>	<u>17,429</u>	<u>8,067</u>	<u>544</u>	<u>71,442</u>	<u>131,009</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	–	–	–	–	–	14,562	14,562
Other comprehensive income for the period	–	–	–	–	801	–	801
Total comprehensive income for the period	–	–	–	–	801	14,562	15,363
Balance at 30 June 2020 (Unaudited)	<u>6,969</u>	<u>26,558</u>	<u>17,429</u>	<u>6,529</u>	<u>2,745</u>	<u>59,995</u>	<u>120,225</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before tax	12,632	17,494
Adjustment for:		
Depreciation of property, plant and equipment	1,094	885
Depreciation of right-of-use assets	2,045	1,889
Amortisation of intangible assets	55	53
Interest income	(26)	(22)
Finance costs	996	1,302
Gain on disposal of property, plant and equipment, net	(529)	(3)
	<u>16,267</u>	<u>21,598</u>
Movements in working capital		
Increase in inventories	(6,460)	(9,924)
Increase in trade and other receivables	(36,821)	(8,831)
Increase in trade and other payables	10,128	14,261
	<u>(16,886)</u>	<u>17,104</u>
Cash (used in)/generated from operations	(1,125)	(2,938)
Income taxes paid		
Net cash (used in)/generated by operating activities	(18,011)	14,166
Cash flows from investing activities		
Interest received	26	22
Payments for property, plant and equipment	(1,129)	(6,306)
Proceeds from disposal of property, plant and equipment	825	4
Payments for intangible assets	(18)	–
	<u>(296)</u>	<u>(6,280)</u>
Net cash used in investing activities	(296)	(6,280)
Cash flows from financing activities		
Capital element of lease liabilities	(1,671)	(1,185)
Interest element of lease liabilities	(996)	(1,302)
	<u>(2,667)</u>	<u>(2,487)</u>
Net cash used in financing activities	(2,667)	(2,487)
Net (decrease)/increase in cash and cash equivalents	(20,974)	5,399
Cash and cash equivalents at the beginning of period	52,114	44,447
Effect of foreign exchange rate changes, net	(869)	490
	<u>(869)</u>	<u>490</u>
Cash and cash equivalents at the end of the period	30,271	50,336

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and Unit 2, 9th Floor, LT Tower, No. 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 to 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 amendments to HKFRSs and new interpretation issued by the HKICPA for the first time in the current period:

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

Covid-19 Related Rent Concessions
Interest Rate Benchmark Reform – Phase 2

3. ESTIMATES

In the application of the Group’s accounting policies, the management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience, expectations of the future and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are reviewed if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing this interim unaudited condensed consolidated financial information, 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 31 December 2020.

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The interim condensed consolidated financial information does 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 consolidated financial statements as at 31 December 2020.

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

4.2 Liquidity risk

Compared to the year ended 31 December 2020, there had been no material changes to the policies and practices for the Group's liquidity and funding risks management as described in the unaudited condensed consolidated financial statements for the six months ended 30 June 2021.

4.3 Fair value estimation

As at 31 December 2020 and 30 June 2021 the Group did not have any financial assets or financial liabilities that are measured at fair value.

The carrying values of receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

5. 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 only 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 30 June		For the six months ended 30 June	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from customer				
– Sales of inflatable products and related accessories	83,577	75,742	146,232	123,798
– Sub-contracting income	314	24	784	457
	<u>83,891</u>	<u>75,766</u>	<u>147,016</u>	<u>124,255</u>

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 30 June		For the six months ended 30 June	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers				
– China	8,721	7,052	14,265	18,123
– Europe	12,153	4,703	30,736	15,300
– Australia and Oceania	2,306	637	2,821	637
– North America	39,631	47,806	61,915	51,530
– Asia	20,821	15,568	37,020	38,650
– Central and South America	259	–	259	15
	<u>83,891</u>	<u>75,766</u>	<u>147,016</u>	<u>124,255</u>

6. OTHER INCOME OR GAINS

	For the three months ended 30 June		For the six months ended 30 June	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income on bank deposits	18	12	26	22
Grants and subsidies	167	106	167	311
Others	538	9	559	83
	<u>723</u>	<u>127</u>	<u>752</u>	<u>416</u>

7. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on lease liabilities	509	858	996	1,302

8. 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 30 June		For the six months ended 30 June	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax for the Period				
Hong Kong Profits Tax	1,040	503	1,442	912
PRC Enterprise Income Tax	571	1,425	1,136	1,820
Deferred tax	491	114	636	200
	2,102	2,042	3,214	2,932

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.

9. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories recognised as an expense	61,559	53,518	110,198	90,523
Depreciation of property, plant and equipment	730	443	1,094	885
Depreciation of right-of-use assets	1,052	1,057	2,045	1,889
Amortisation of intangible assets	27	27	55	53
Net foreign exchange losses	519	99	664	48
Short term lease expenses	10	3	18	6
	<u>19,728</u>	<u>11,524</u>	<u>34,305</u>	<u>20,524</u>
Employee benefits expense (including directors' emoluments)				
Salaries, wages and other benefits	18,515	11,328	31,970	19,958
Contribution to retirement benefits schemes	1,213	196	2,335	566
	<u>19,728</u>	<u>11,524</u>	<u>34,305</u>	<u>20,524</u>

10. 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 30 June		For the six months ended 30 June	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings				
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	5,583	11,200	9,418	14,562
Number of shares	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	800,000	800,000	800,000	800,000

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 six months ended 30 June 2021 and 2020.

11. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021. (2020: Nil)

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvement <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Motor Vehicle <i>RMB'000</i>	Furniture and Equipment <i>RMB'000</i>	Computer Equipment <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Unaudited six months ended							
30 June 2021							
Cost							
Balance at 31 January 2021	8,461	15,221	1,307	357	2,471	13,519	41,336
Additions	296	1,248	–	–	35	(450)	1,129
Disposals	–	(1,520)	–	–	–	–	(1,520)
Transfer	–	8,506	–	–	–	(8,506)	–
	<u>8,757</u>	<u>23,455</u>	<u>1,307</u>	<u>357</u>	<u>2,506</u>	<u>4,563</u>	<u>40,945</u>
Balance at 30 June 2021	<u>8,757</u>	<u>23,455</u>	<u>1,307</u>	<u>357</u>	<u>2,506</u>	<u>4,563</u>	<u>40,945</u>
Accumulated depreciation							
Balance at 31 January 2021	7,030	9,770	703	244	1,734	–	19,481
Depreciation expense	107	698	55	12	222	–	1,094
Eliminated on disposals	–	(1,224)	–	–	–	–	(1,224)
	<u>7,137</u>	<u>9,244</u>	<u>758</u>	<u>256</u>	<u>1,956</u>	<u>–</u>	<u>19,351</u>
Balance at 30 June 2021	<u>7,137</u>	<u>9,244</u>	<u>758</u>	<u>256</u>	<u>1,956</u>	<u>–</u>	<u>19,351</u>
Carrying amounts							
Balance at 30 June 2021	<u>1,620</u>	<u>14,211</u>	<u>549</u>	<u>101</u>	<u>550</u>	<u>4,563</u>	<u>21,594</u>
Balance at 31 December 2020	<u>1,431</u>	<u>5,451</u>	<u>604</u>	<u>113</u>	<u>737</u>	<u>13,519</u>	<u>21,855</u>

13. INTANGIBLE ASSETS

During the Period, the Group spent approximately RMB18,000 on acquisition of intangible assets (2020: Nil).

14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Trade receivables	49,269	18,122
Less: Allowance for credit losses	<u>(52)</u>	<u>(52)</u>
	49,217	18,070
Value-added tax refundable	4,236	2,449
Deposit paid	6,032	1,234
Other receivables and prepayment	<u>9,473</u>	<u>10,384</u>
	<u>68,958</u>	<u>32,137</u>

The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. The Group generally allows credit period ranging from 0 to 180 days. No interest is charged on overdue receivables.

The following is an analysis of trade receivables by age, presented based on the invoice date:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
0-30 days	21,252	11,656
31-60 days	9,497	6,414
61-90 days	7,089	—
91-120 days	11,103	—
121-365 days	<u>276</u>	<u>—</u>
	<u>49,217</u>	<u>18,070</u>

15. TRADE AND OTHER PAYABLES

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Trade payables	24,927	17,314
Contract liability	6,677	3,109
Accrued salaries and other benefits	7,159	8,457
Other payables and accruals	4,627	4,382
	<u>43,390</u>	<u>33,262</u>

The trade payables are non-interest bearing and the Group is normally granted credit period ranging from 30 to 90 days.

The following is an analysis of trade payables based on the invoice date:

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
0-30 days	14,448	7,059
31-60 days	10,098	7,628
61-90 days	48	2,220
91-120 days	167	217
121-365 days	27	70
Over 365 days	139	120
	<u>24,927</u>	<u>17,314</u>

16. SHARE CAPITAL

The share capital balance as at 30 June 2021 in the unaudited condensed consolidated statement of financial position represented the issued share capital of the Company. Details of the authorised and issued and fully paid share capital of the Company are summarised as follows:

	Number of ordinary shares	Share capital HK\$'000	Share capital RMB'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 31 December 2020 and 30 June 2021	<u>1,000,000,000</u>	<u>10,000</u>	<u></u>
Issued and fully paid:			
At 31 December 2020 and 30 June 2021	<u>800,000,000</u>	<u>8,000</u>	<u>6,969</u>

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 15 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.

Looking back to the first half of 2021, the Group recorded a total revenue of approximately RMB147,016,000 for the Period, representing an increase of approximately RMB22,761,000 or 18.3% as compared to approximately RMB124,255,000 for the corresponding period in 2020. The profit for the Period was approximately RMB9,418,000, representing a decrease of approximately RMB5,144,000 or 35.3% as compared to the profit of approximately RMB14,562,000 for the corresponding period in 2020. The decrease in the profit of the Period was mainly due to the decrease in gross profit margin from approximately 27.1% to approximately 25.0% and the significant increase in freight and transportation expenses as compared with the corresponding period in 2020.

Looking ahead to the second half of 2021, the Group expects to maintain a steady growth in revenue from the sales of inflatable playground products. With the improvement of production efficiency of the new production facilities in Heyuan City and Yongzhou City, the Group will continue to focus on technological improvements to reduce production costs.

FINANCIAL REVIEW

Revenue

The Group's revenue was approximately RMB147,016,000 for the Period, representing an increase of approximately RMB22,761,000 or 18.3% as compared to the revenue of approximately RMB124,255,000 for the corresponding period in 2020. Revenue from the sales of inflatable playgrounds with air blowers for the Period was approximately RMB130,183,000 (2020: approximately RMB109,805,000), representing an increase of approximately RMB20,378,000 or 18.6% compared with the corresponding period in 2020, which accounted for approximately 88.6% of the Group's total revenue (2020: approximately 88.4%); revenue from the sales of other inflatable products for the Period was approximately RMB393,000 (2020: approximately RMB1,415,000), representing a decrease of approximately RMB1,022,000 or 72.2% compared with the corresponding period in 2020, which accounted for approximately 0.3% of the Group's total revenue (2020: approximately 1.1%); revenue from the sales of electronic solar products for the Period was approximately RMB8,430,000 (2020: approximately RMB7,132,000), representing an increase of approximately RMB1,298,000 or 18.2%, which accounted for approximately 5.7% of the Group's total revenue (2020: approximately 5.7%); revenue from the sales of inflatable products related accessories and subcontracting work for the Period was approximately RMB8,010,000 (2020: approximately RMB5,903,000), representing an increase of approximately RMB2,107,000 or 35.7%, which accounted for approximately 5.4% of the Group's total revenue (2020: approximately 4.8%).

An analysis of the Group's revenue for the Period by geographical location is set out in Note 5 to the unaudited condensed consolidated interim financial statements.

Cost of sales

Cost of sales was approximately RMB110,198,000 for the Period, representing an increase of approximately RMB19,675,000 or 21.7% as compared to approximately RMB90,523,000 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 RMB36,818,000 for the Period, representing an increase of approximately RMB3,086,000 or 9.1% compared with the corresponding period in 2020 (2020: approximately RMB33,732,000). Gross profit margin was approximately 25.0% for the Period, representing a decrease of approximately 2.1% as compared to that of the corresponding period in 2020 (2020: approximately 27.1%).

Other income and gains

Total other income and gains was approximately RMB752,000 for the Period, representing an increase of approximately RMB336,000 or 80.8% as compared with that of the corresponding period (2020: approximately RMB416,000). The increase was mainly due to an increase in miscellaneous income and gains of approximately RMB476,000; partially offset by a decrease in grants and subsidies from the PRC government of approximately RMB144,000.

Distribution and selling expenses

Total distribution and selling expenses was approximately RMB14,836,000 for the Period (2020: approximately RMB8,354,000), representing an increase of approximately RMB6,482,000 or 77.6% as compared to that of the corresponding period in 2020. The increase was mainly due to the Group's increased spending in (i) freight and transportation expenses of approximately RMB3,542,000; (ii) advertising and promotion expenses of approximately RMB1,046,000; and (iii) commission and sales service expenses of approximately RMB1,429,000.

Administrative expenses

The administrative expenses was approximately RMB9,106,000 for the Period (2020: approximately RMB6,998,000), representing an increase of approximately RMB2,108,000 or 30.1% 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 RMB527,000; (ii) utilities and office expenses of approximately RMB693,000; and (iii) net foreign exchange loss of approximately RMB616,000.

Finance costs

The Group recorded interest on lease liabilities of approximately RMB996,000 for the Period, representing a decrease of approximately RMB306,000 or 23.5% as compared with the corresponding period in 2020 (2020: approximately RMB1,302,000).

Profit for the period

Profit for the Period was approximately RMB9,418,000, representing a decrease of approximately RMB5,144,000 or 35.3% as compared with that of the corresponding period (2020: approximately RMB14,562,000).

Dividends

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

Liquidity, Financial Resources, Capital Structure and Gearing Ratio

The Group finances its liquidity and financial requirements primarily through cash generated from operations and equity contributed from the shareholders of the Company.

As at 30 June 2021, the Group's total equity attributable to the owners of the Company amounted to approximately RMB131.0 million (31 December 2020: RMB121.9 million).

The current ratio of the Group as at 30 June 2021 was approximately 3.22 as compared to that of approximately 3.62 as at 31 December 2020. The quick ratio of the Group as at 30 June 2021 was approximately 2.02 as compared to that of approximately 2.23 as at 31 December 2020. Since no borrowings was outstanding as at 30 June 2021 and 31 December 2020, no gearing ratio was applicable. The Directors believe that the Group is in a healthy financial position to expand its core business and to achieve its business objectives.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies, and Future Plan for Material Investments or Capital Assets

During the Period, there was no significant investment held, material acquisition and disposal of subsidiaries and associated companies by the Company. The Group did not have any plans for material investments of capital assets as at 30 June 2021.

Contingent Liabilities

As at 30 June 2021, the Group did not have any significant contingent liabilities (31 December 2020: Nil).

Pledge of Assets

As at 30 June 2021, the Group had no assets pledged for bank borrowings or for other purpose (31 December 2020: Nil).

Segment Information

The Group principally operates in one business segment, which is the sale of inflatable products and related accessories.

Commitments

As at 30 June 2021, the Group did not have any significant capital commitments for the acquisition of property, plant and equipment (31 December 2020: approximately RMB863,000).

Foreign Currency Exposure

As the majority of the Group's revenue is denominated in US Dollars but the costs incurred by the Group for the production are denominated in RMB, significant fluctuation in the exchange rate between RMB against US Dollars may materially affect the business results of operations. As a result of the business expansion to overseas markets, the Group will continue to generate a significant amount of sales, assets and liabilities denominated in a currency other than RMB. In this case, the Group would be exposed to risks related to the exchange rate and the currency in which its assets and liabilities are denominated. A depreciation of RMB would require the Group to use more RMB to service the same amount of foreign currency liabilities, or a depreciation of foreign currency against RMB may result in receipts from receivables substantially less than the contractual amounts in terms of RMB at the settlement date.

Having considered the cost effectiveness with reference to the business model, the Group currently does not have a formal foreign currency hedging policy or engage in hedging activities designed or intended to manage such exchange rate risk during the reporting periods. Because RMB is not freely convertible, the ability of the Group to reduce foreign exchange risk is limited.

Treasury Policies

The Group is exposed to credit risk primarily arising from trade receivables and bank deposits. Trade receivables are from customers with good collection track records with the Group. For trade receivables, the Group has adopted the policy of dealing only with customers of appropriate credit history to mitigate credit risks. No provision of doubtful debts was recognised during the six months ended 30 June 2021 and 2020 because there were subsequent settlements or no historical default of payments by the respective customers and the amounts are still considered recoverable.

Bank deposits are mainly deposits with banks with good credit ratings assigned by international credit-rating agencies or with good reputation. For bank deposits, the Group adopts the policy of dealing only with high credit quality counterparties.

Employees and Remuneration Policies

As at 30 June 2021, the Group had 987 full-time employees (31 December 2020: 726). Most of the employees of the Group are located in the PRC. The total employee remuneration, including remuneration of Directors, for the six months ended 30 June 2021 amounted to approximately RMB34,305,000 (2020: approximately RMB20,524,000).

The Group entered into separate labour contracts with each of its employees in accordance with the applicable labour laws in Hong Kong and the PRC. The Group provides its employees with various benefits including discretionary bonus, contribution to social insurance premium and housing provident fund, and contribution to mandatory provident fund. The Group also offers options that may be granted to employees under the share option scheme.

CORPORATE GOVERNANCE AND 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 30 June 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 5.67 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. Kevin Lee (Note 1)	Interest in a controlled corporation	<u>172,244,000</u>	<u>21.53%</u>

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 30 June 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 30 June 2021, so far as was 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 (Note 2)	Interest of spouse	427,756,000	53.47%
Blink Wishes Limited	Beneficial owner	172,244,000	21.53%
Ms. Law (Note 3)	Interest of spouse	<u>172,244,000</u>	<u>21.53%</u>

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. Therefore, Ms. Chak is deemed, or taken to be interested in the same number of Shares in which Mr. Lee is interested for the purpose of SFO.
- (3) Ms. Law Siu Ling (“**Ms. Law**”) is the spouse of Mr. Kevin Lee. Therefore, Ms. Law is deemed, or taken to be interested in the same number of Shares in which Mr. Kevin Lee is interested for the purpose of SFO.
- (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 30 June 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 had 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 30 June 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 all 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, 12 August 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 of Hong Kong Limited at www.hkexnews.com 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.