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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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 and nine months ended 30 September 2021, together with the unaudited comparative figures for the corresponding periods in 2020, as follows:

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

For the three months and nine months ended 30 September 2021

		For the three months ended 30 September		For the nine months ended 30 September	
	Note	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Revenue	3	75,710	74,118	222,726	198,373
Cost of sales		(63,196)	(50,105)	(173,394)	(140,628)
Gross profit		12,514	24,013	49,332	57,745
Other income and gains		320	188	1,072	604
Distribution and selling expenses		(6,896)	(9,800)	(21,732)	(18,154)
Administrative expenses		(4,382)	(5,698)	(13,488)	(12,696)
Finance costs		(484)	(582)	(1,480)	(1,884)
Profit before tax		1,072	8,121	13,704	25,615
Income tax expense	4	(413)	(1,414)	(3,627)	(4,346)
Profit for the period	5	659	6,707	10,077	21,269
Other comprehensive expense, net of income tax					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translating foreign operations		(90)	(900)	(405)	(99)
Other comprehensive expense for the period		(90)	(900)	(405)	(99)
Total comprehensive income for the period		569	5,807	9,672	21,170
		<i>RMB cents</i>	<i>RMB cents</i>	<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share					
– Basic and diluted	6	0.08	0.84	1.26	2.66

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 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	–	–	–	–	–	10,077	10,077
Other comprehensive expense for the period	–	–	–	–	(405)	–	(405)
Total comprehensive income/ (expense) for the period	–	–	–	–	(405)	10,077	9,672
Balance at 30 September 2021 (Unaudited)	<u>6,969</u>	<u>26,558</u>	<u>17,429</u>	<u>8,067</u>	<u>454</u>	<u>72,101</u>	<u>131,578</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	–	–	–	–	–	21,269	21,269
Other comprehensive expense for the period	–	–	–	–	(99)	–	(99)
Total comprehensive income/ (expense) for the period	–	–	–	–	(99)	21,269	21,170
Final dividend for the year ended 31 December 2019	–	–	–	–	–	(5,428)	(5,428)
Balance at 30 September 2020 (Unaudited)	<u>6,969</u>	<u>26,558</u>	<u>17,429</u>	<u>6,529</u>	<u>1,845</u>	<u>61,274</u>	<u>120,604</u>

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 Act (as amended) 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.

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. 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, 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 September		For the nine months ended 30 September	
	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 customers				
– Sales of inflatable products and related accessories	75,710	74,096	221,942	197,894
– Sub-contracting income	–	22	784	479
	75,710	74,118	222,726	198,373

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 September		For the nine months ended 30 September	
	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	8,941	5,604	23,206	23,727
– Europe	2,961	2,895	33,697	18,195
– Australia and Oceania	18,349	12,385	21,170	13,022
– North America	34,722	41,180	96,637	92,710
– Asia	10,073	12,054	47,093	50,704
– Central and South America	664	–	923	15
	75,710	74,118	222,726	198,373

4. INCOME TAX EXPENSE

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Current tax for the Period				
Hong Kong Profits Tax	283	765	1,725	1,677
PRC Enterprise Income Tax	146	615	1,282	2,435
Deferred tax	(16)	34	620	234
Total income tax recognised in profit or loss	<u>413</u>	<u>1,414</u>	<u>3,627</u>	<u>4,346</u>

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

The Group's 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:

	For the three months ended 30 September		For the nine months ended 30 September	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Cost of inventories recognised as an expense	63,196	50,105	173,394	140,628
Depreciation of property, plant and equipment	711	345	1,805	1,230
Depreciation of right-of-use assets	1,058	981	3,103	2,870
Amortisation of intangible assets	29	26	84	79
Net foreign exchange losses	168	1,814	687	1,862
Short term lease expenses	<u>12</u>	<u>5</u>	<u>30</u>	<u>11</u>
Employee benefits expense (including directors' emoluments)				
Salaries, wages and other benefits	18,417	14,441	50,387	34,399
Contribution to retirement benefits schemes	<u>1,408</u>	<u>275</u>	<u>3,743</u>	<u>841</u>
Total employee benefits expense	<u>19,825</u>	<u>14,716</u>	<u>54,130</u>	<u>35,240</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 30 September		For the nine months ended 30 September	
	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	<u>659</u>	<u>6,707</u>	<u>10,077</u>	<u>21,269</u>
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	<u>800,000</u>	<u>800,000</u>	<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 nine months ended 30 September 2021 and 2020.

7. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 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 15 years of 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 maintaining 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 promotion, the inflatable products have been sold under various brands widely in various overseas markets.

For the nine months ended 30 September 2021 (the “**Period**”), the Group recorded a total revenue of approximately RMB222,726,000, representing an increase of approximately RMB24,353,000 or 12.3% as compared to approximately RMB198,373,000 for the corresponding period in 2020. The profit for the Period was approximately RMB10,077,000, representing a decrease of approximately RMB11,192,000 or 52.6% as compared to the profit of approximately RMB21,269,000 for the corresponding period in 2020. The decrease in the profit of the Period was mainly attributable to the decrease in gross profit margin from approximately 29.1% to approximately 22.1% mainly due to (i) the orders of lower profit margin received from some major customers; (ii) the increase in the purchase price of materials; and (iii) no relief of contribution to retirement benefits scheme allowed by the PRC government in 2021.

Looking ahead to the fourth quarter of 2021 and next year, despite the challenges from the increase in materials cost and the transportation charges, the Group targets to maintain a steady growth in revenue and continues to focus on technological improvements to reduce the impact on production costs.

FINANCIAL REVIEW

Revenue

The Group's revenue was approximately RMB222,726,000 for the Period, representing an increase of approximately RMB24,353,000 or 12.3% as compared to the revenue of approximately RMB198,373,000 for the corresponding period in 2020. Revenue from the sales of inflatable playgrounds with air blowers for the Period was approximately RMB198,936,000 (2020: approximately RMB178,953,000), representing an increase of approximately RMB19,983,000 or 11.2% compared with the corresponding period in 2020, which accounted for approximately 89.3% of the Group's total revenue (2020: approximately 90.2%); revenue from the sales of other inflatable products for the Period was approximately RMB1,043,000 (2020: approximately RMB1,897,000), representing a decrease of approximately RMB854,000 or 45.0% compared with the corresponding period in 2020, which accounted for approximately 0.5% of the Group's total revenue (2020: approximately 1.0%); revenue from the sales of electronic solar products for the Period was approximately RMB8,890,000 (2020: approximately RMB7,247,000), representing an increase of approximately RMB1,643,000 or 22.7%, which accounted for approximately 4.0% of the Group's total revenue (2020: approximately 3.6%); revenue from the sales of inflatable products related accessories and subcontracting work for the Period was approximately RMB13,857,000 (2020: approximately RMB10,276,000), representing an increase of approximately RMB3,581,000 or 34.8%, which accounted for approximately 6.2% of the Group's total revenue (2020: approximately 5.2%).

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

Cost of sales

Cost of sales was approximately RMB173,394,000 for the Period, representing an increase of approximately RMB32,766,000 or 23.3% as compared to approximately RMB140,628,000 for the corresponding period in 2020. Such increase was primarily due to (i) the increase in purchase price of materials; (ii) the increase in staff cost as there was no relief of contribution to retirement benefits scheme allowed by the PRC government in 2021; and (iii) the corresponding increase in the Group's revenue for the Period.

Gross profit and gross profit margin

The Group recorded a gross profit of approximately RMB49,332,000 for the Period, representing a decrease of approximately RMB8,413,000 or 14.6% compared with the corresponding period in 2020 (2020: approximately RMB57,745,000). Gross profit margin was approximately 22.1% for the Period, representing a decrease of approximately 7.0% as compared to that of the corresponding period in 2020 (2020: approximately 29.1%).

Other income and gains

Total other income and gains was approximately RMB1,072,000 for the Period, representing an increase of approximately RMB468,000 or 77.5% as compared with that of the corresponding period (2020: approximately RMB604,000). The increase was mainly due to an increase in miscellaneous income and gains of approximately RMB567,000; partially offset by a decrease in grants and subsidies from the PRC government of approximately RMB96,000 and a decrease in interest income of approximately RMB3,000.

Distribution and selling expenses

Total distribution and selling expenses was approximately RMB21,732,000 for the Period (2020: approximately RMB18,154,000), representing an increase of approximately RMB3,578,000 or 19.7% 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 RMB1,580,000; (ii) advertising and promotion expenses of approximately RMB658,000; and (iii) commission and sales service expenses of approximately RMB678,000.

Administrative expenses

The administrative expenses was approximately RMB13,488,000 for the Period (2020: approximately RMB12,696,000), representing an increase of approximately RMB792,000 or 6.2% 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 RMB972,000; (ii) utilities and office expenses of approximately RMB795,000; and partially offset by a decrease in (iii) net foreign exchange loss of approximately RMB1,175,000.

Finance costs

The Group recorded interest on lease liabilities of approximately RMB1,480,000 for the Period, representing a decrease of approximately RMB404,000 or 21.4% as compared with the corresponding period in 2020 (2020: approximately RMB1,884,000).

Profit for the period

Profit for the Period was approximately RMB10,077,000, representing a decrease of approximately RMB11,192,000 or 52.6% as compared with that of the corresponding period (2020: approximately RMB21,269,000).

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 30 September 2021, none of the Directors or the chief executive of the Company (the “**Chief Executive**”) or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”)) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required to be 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 by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules (the “**Required Standard of Dealings**”) or Rule 23.07 of the GEM Listing Rules.

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

As at 30 September 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 1)
Ms. Yan Ping	Beneficial interest	600,000,000	75.0%

Note:

(1) 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 September 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 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 September 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 provisions 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 consolidated financial results of the Group 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, 8 November 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.