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Bestway Global Holding Inc.

榮威國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3358)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2018

FINANCIAL HIGHLIGHTS

	For the year ended December 31,		
	2018	2017	Change
	US$	*US$*	*(%)*
Revenue from contracts with customers	**865,281,075**	722,546,180	19.8
Gross profit	**230,568,288**	182,775,398	26.1
Gross profit margin	**26.6%**	25.3%	1.3[(2)]
Net profit	**43,547,833**	47,568,408	(8.5)
Net profit margin	**5.0%**	6.6%	(1.6)[(2)]
Unrealised fair value changes on derivative financial instruments after considering income tax effect	**17,151,493**	1,347,262	1,173.1
Adjusted net profit[(1)]	**60,699,326**	48,915,670	24.1
Adjusted net profit margin	**7.0%**	6.8%	0.2[(2)]
Earnings per share – Basic	**0.0407**	0.0574	(29.1)
Earnings per share – Diluted	**0.0406**	0.0574	(29.3)
Proposed final dividend per share	**0.0123**	0.0135	(8.9)

Note 1: Adjusted net profit refers to net profit less unrealised fair value changes on derivative financial instruments after considering income tax effect.

Note 2: These figures represent the change of percentage points.

FINANCIAL RESULTS

The board of directors (the "**Directors**") (the "**Board**") of Bestway Global Holding Inc. (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "**Group**", "**we**", "**us**" or "**our**") for the year ended December 31, 2018 (the "**year under review**") together with comparative figures for the year ended December 31, 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended December 31,	
		2018	2017
	Note	***US$***	*US$*
Revenue from contracts with customers	*4*	**865,281,075**	722,546,180
Cost of sales	*4, 7*	**(634,712,787)**	(539,770,782)
Gross profit		**230,568,288**	182,775,398
Selling and distribution expenses	*7*	**(84,432,466)**	(68,863,132)
General and administrative expenses	*7*	**(70,668,029)**	(60,243,444)
Net impairment losses on financial and contract assets		**(734,099)**	(322,552)
Other income	*5*	**11,248,714**	16,846,940
Other losses	*6*	**(21,128,048)**	(6,234,696)
Operating profit		**64,854,360**	63,958,514
Finance income	*8*	**479,183**	218,153
Finance expenses	*8*	**(9,986,646)**	(3,883,374)
Finance expenses – net		**(9,507,463)**	(3,665,221)
Profit before income tax		**55,346,897**	60,293,293
Income tax expense	*9*	**(11,799,064)**	(12,724,885)
Profit for the year		**43,547,833**	47,568,408
Profit attributable to:			
Shareholders of the Company		**43,059,483**	47,462,397
Non-controlling interests		**488,350**	106,011
		43,547,833	47,568,408
Earnings per share for profit attributable to shareholders of the Company for the year			
– Basic earnings per share	*10*	**0.0407**	0.0574
– Diluted earnings per share	*10*	**0.0406**	0.0574

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended December 31,	
	2018	2017
	US$	*US$*
Profit for the year	**43,547,833**	47,568,408
Other comprehensive (losses)/income:		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	**(21,769,189)**	18,394,433
Other comprehensive (losses)/income for the year, net of tax	**(21,769,189)**	18,394,433
Total comprehensive income for the year	**21,778,644**	65,962,841
Attributable to:		
– Shareholders of the Company	**21,274,056**	65,842,885
– Non-controlling interests	**504,588**	119,956
Total comprehensive income for the year	**21,778,644**	65,962,841

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As of December 31, 2018 US$	2017 US$
Assets			
Non-current assets			
Land use rights	*12*	**34,359,812**	25,273,107
Property, plant and equipment	*13*	**295,739,921**	223,818,719
Investment properties	*14*	**8,477,978**	–
Intangible assets	*15*	**1,042,848**	567,649
Deferred tax assets	*21*	**4,632,922**	4,635,071
Available-for-sale financial assets		**–**	457,636
Financial asset at fair value through other comprehensive income		**643,539**	–
Prepayments and other receivables		**2,511,845**	13,517,493
		347,408,865	268,269,675
Current assets			
Inventories		**331,024,863**	250,962,383
Contract assets	*3(c)*	**35,093**	–
Trade receivables	*16*	**209,219,454**	139,607,653
Prepayments and other receivables		**44,540,962**	35,281,221
Financial assets at fair value through profit or loss		**17,542,213**	1,149,620
Derivative financial instruments		**1,031,011**	1,794,783
Restricted cash		**9,280,173**	3,742,736
Cash and cash equivalents		**31,574,293**	110,737,589
		644,248,062	543,275,985
Total assets		**991,656,927**	811,545,660
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	*17*	**1,355,633**	1,355,633
Share premium	*17*	**140,636,893**	140,636,893
Other reserves	*18*	**267,337,647**	258,753,820
		409,330,173	400,746,346
Non-controlling interests		**(421,456)**	(811,571)
Total equity		**408,908,717**	399,934,775

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As of December 31,	
		2018	2017
	Note	***US$***	*US$*
Liabilities			
Non-current liabilities			
Bank borrowings		**21,218,752**	–
Deferred tax liabilities	*21*	**744,426**	784,826
Other payables and accruals	*20*	**18,294,396**	5,441,434
Retirement benefit obligations		**409,860**	300,299
Deferred income on government grants		**4,321,769**	4,912,614
		44,989,203	11,439,173
Current liabilities			
Trade payables	*19*	**184,284,396**	154,661,624
Other payables and accruals	*20*	**89,841,251**	71,318,153
Contract liabilities		**13,443,145**	–
Due to related parties		**2,760,157**	2,423,574
Current income tax liabilities		**8,326,916**	10,435,467
Bank borrowings		**216,378,091**	157,830,554
Derivative financial instruments		**22,725,051**	3,502,340
		537,759,007	400,171,712
Total liabilities		**582,748,210**	411,610,885
Total equity and liabilities		**991,656,927**	811,545,660
Net current assets		**106,489,055**	143,104,273
Total assets less current liabilities		**453,897,920**	411,373,948

NOTES TO THE FINANCIAL STATEMENS

1 GENERAL INFORMATION

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

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

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

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

These consolidated financial statements are presented in United States dollars (US$), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on March 28, 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out in the 2018 annual report. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the 2018 annual report.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2018

(i) HKFRS 9 Financial Instruments

(ii) HKFRS 15 Revenue from Contracts with Customers

(iii) HKAS 40 Transfers of Investment Property

(iv) HKFRS 2 Classification and Measurement of Share-based Payment Transactions

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of HKFRS 9 and HKFRS 15. The impact of the adoption of these standards and the accounting policies are disclosed in Note 2.2 below. The other standards did not have any material impact on the Group's accounting policies and did not require retrospective adjustments.

(b) New standards, amendments and interpretations to existing standards effective in 2018 but not relevant to the Group

		Effective for accounting year beginning on or after
HKFRS 4 (Amendment)	Insurance Contracts	January 1, 2018
HKFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
Annual Improvements 2014-2016 Cycle		January 1, 2018

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on January 1, 2018 and have not been early adopted:

		Effective for accounting year beginning on or after	*Note*
HKFRS 16	Leases	January 1, 2019	*i*
HKFRS 17	Insurance Contracts	January 1, 2021	
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation	January 1, 2019	
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures	January 1, 2019	
HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement	January 1, 2019	
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined	
HKFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019	
Annual Improvements to HKFRS Standards 2015-2017 Cycle	HKFRS 3 Business Combinations HKFRS 11 Joint Arrangements HKAS 23 Borrowing Cost	January 1, 2019	

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations. According to the preliminary assessment, other than the assessment results of HKFRS 16 stated below, none of these is expected to have a significant effect on the consolidated financial statements of the Group.

Note i:

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of US$4,815,776. Of these commitments, approximately US$1,284,578 relate to short-term leases which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately US$3,132,705 on January 1, 2019. Net current assets will decrease approximately by US$687,541 due to the presentation of a portion of the liability as a current liability.

The Group expects that net profit after tax will decrease by approximately US$41,708 for 2019 as a result of adopting the new accounting rules.

Operating cash flows will increase and financing cash flows decrease by approximately US$844,176 as repayment of the principal and interest of the lease liabilities will be classified as cash flows used in financing activities.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of January 1, 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

2.2 Changes in accounting polices

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

(a) Impact on the financial statements

HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The Group used modified retrospective approach while adopting HKFRS 9. The reclassification and adjustments are therefore not reflected in the balance sheet as at December 31, 2017, but are recognised in the opening balance sheet on January 1, 2018.

The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of January 1, 2018 and that comparatives will not be restated.

The following tables show the adjustments recognised for each individual line item. The adjustments are explained in more details below.

	December 31, 2017 As originally presented *US$*	**HKFRS 9** *US$*	**HKFRS 15** *US$*	**January 1, 2018 Restated** *US$*
Assets				
Non-current assets				
Land use rights	25,273,107	–	–	25,273,107
Property, plant and equipment	223,818,719	–	–	223,818,719
Intangible assets	567,649	–	–	567,649
Deferred tax assets	4,635,071	–	–	4,635,071
Available-for-sale financial assets	457,636	(457,636)	–	–
Financial assets at fair value through other comprehensive income	–	457,636	–	457,636
Prepayments and other receivables	13,517,493	–	–	13,517,493
	268,269,675	–	–	268,269,675
Current assets				
Inventories	250,962,383	–	–	250,962,383
Contract assets	–	–	95,375	95,375
Trade receivables	139,607,653	–	–	139,607,653
Prepayments and other receivables	35,281,221	–	–	35,281,221
Financial assets at fair value through profit or loss	1,149,620	–	–	1,149,620
Derivative financial instruments	1,794,783	–	–	1,794,783
Restricted cash	3,742,736	–	–	3,742,736
Cash and cash equivalents	110,737,589	–	–	110,737,589
	543,275,985	–	95,375	543,371,360
Total assets	811,545,660	–	95,375	811,641,035
Equity and liabilities				
Equity attributable to shareholders of the Company				
Share capital	1,355,633	–	–	1,355,633
Share premium	140,636,893	–	–	140,636,893
Other reserves	258,753,820	–	–	258,753,820
	400,746,346	–	–	400,746,346
Non-controlling interests	(811,571)	–	–	(811,571)
Total equity	399,934,775	–	–	399,934,775

	December 31, 2017 As originally presented	HKFRS 9	HKFRS 15	January 1, 2018 Restated
	US$	*US$*	*US$*	*US$*
Liabilities				
Non-current liabilities				
Deferred tax liabilities	784,826	–	–	784,826
Other payables and accruals	5,441,434	–	–	5,441,434
Retirement benefit obligations	300,299	–	–	300,299
Deferred income on government grants	4,912,614	–	–	4,912,614
	11,439,173	–	–	11,439,173
Current liabilities				
Trade payables	154,661,624	–	–	154,661,624
Other payables and accruals	71,318,153	–	(11,039,103)	60,279,050
Contract liabilities	–	–	11,134,478	11,134,478
Due to related parties	2,423,574	–	–	2,423,574
Current income tax liabilities	10,435,467	–	–	10,435,467
Borrowings	157,830,554	–	–	157,830,554
Derivative financial instruments	3,502,340	–	–	3,502,340
	400,171,712	–	95,375	400,267,087
Total liabilities	411,610,885	–	95,375	411,706,260
Total equity and liabilities	811,545,660	–	95,375	811,641,035

There is no impact on the statement of profit or loss and other comprehensive income by adopting HKFRS 9 and HKFRS 15.

(b) HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in the 2018 annual report. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated as the Group does not have any hedge instruments.

(i) Classification and measurement

On January 1, 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – January 1, 2018	**Available-for-sale financial assets** *US$*	**Financial assets at fair value through other comprehensive income** *US$*
Closing balance December 31, 2017 – HKAS 39	457,636	–
Reclassify non-trading equities from available-for-sale financial assets to financial assets at fair value through other comprehensive income	(457,636)	457,636
Opening balance January 1, 2018 – HKFRS 9	–	457,636

The Group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale financial assets, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of US$457,636 were reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income on January 1, 2018.

(ii) Impairment of financial assets

The Group has trade receivables for sales of products that are subject to HKFRS 9's new expected credit loss model, and the Group was required to revise its impairment methodology under HKFRS 9 for these receivables.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the ageing days. On this basis, the loss allowance as at January 1, 2018 was determined as follows for trade receivables:

	Within 90 days	**91 days to 180 days**	**180 days to 360 days**	**Total**
January 1, 2018				
Gross carrying amount	124,258,724	7,769,424	9,205,225	141,233,373
Expected loss rate	0.92%	1.57%	1.66%	
Loss allowance	1,137,951	122,215	153,086	1,413,252

The Group has performed the assessment and concluded that no material financial impact exists, and therefore no adjustment to the opening balance of equity at January 1, 2018 was recognised.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 1 year.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, no impairment loss was identified.

(c) HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from January 1, 2018 which resulted in changes in accounting policies. The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of January 1, 2018 and that comparatives will not be restated. The following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (January 1, 2018).

	HKAS 18 carrying amount December 31, 2017	**Reclassification**	**HKFRS 15 carrying amount January 1, 2018**
	US$	*US$*	*US$*
Contract assets	–	95,375	95,375
Other payables and accruals	71,318,153	(11,039,103)	60,279,050
Contract liabilities	–	11,134,478	11,134,478

There was no impact on the Group's retained earnings as at January 1, 2018 and January 1, 2017.

(i) Accounting for discounts

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

(ii) Accounting for refunds

The Group's obligations to provide a refund for faulty products are under the standard warranty terms. Accumulated experience is used to estimate such returns at the time of sale, and revenue is only recognised to the extent that is is highly probable that no products will be expected to be returned. Meanwhile, the refund liability and an asset for its right to recover products from customers should be recognised.

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

(iii) Presentation of assets and liabilities related to contracts with customers

Reclassifications were made as at January 1, 2018 to be consistent with the terminology used under HKFRS 15:

- Contract assets in relation to estimated sales returned inventory (US$95,375 as at January 1, 2018)

- Contract liabilities in relation to advance receipts from customers and a refund liability for sales return were previously included in other payables and accruals (US$10,961,069 and US$173,409 as at January 1, 2018).

3 SEGMENT INFORMATION

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

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

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

	2018	2017
	US$	*US$*
Europe *(i)*	**407,570,231**	346,403,442
North America *(ii)*	**252,149,607**	205,353,431
Asia Pacific *(iii)*	**80,778,484**	64,593,847
Including: Mainland China	**26,242,170**	19,722,436
Rest of the world *(iv)*	**124,782,753**	106,195,460
Total	**865,281,075**	722,546,180

Note:

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

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

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

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

No individual customer's revenue exceeds 10% of the Group's total revenue for each of the years ended December 31, 2018 and 2017.

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

	2018	2017
	US$	*US$*
Europe	**2,122,977**	706,559
North America	**3,203,053**	3,258,874
Asia Pacific	**336,806,239**	259,211,322
Including: Mainland China	**336,733,455**	259,111,635
Rest of the world	**135**	213
Total	**342,132,404**	263,176,968

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

	2018
	US$
Current contract assets relating to its right to recover products from customers on settling the refund liability *(i)*	**35,093**
Loss allowance	**–**
Total contract assets	**35,093**
Contract liabilities – advance from customers *(ii)*	**50,132**
Contract liabilities – a refund liability for right of sales return *(i)*	**13,393,013**
Total contract liabilities	**13,443,145**

Note:

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

– adjustments to the refund liabilities are recognised in revenue.

– adjustments to the asset are recognised in cost of goods sold.

(ii) Contract liabilities relating to advance from customers were recognised as revenue when the control of products were transferred to the customers in 2018. The total amount of contract liabilities of US$11,134,478 as of January 1, 2018 has been recognised as revenue for the year ended December 31, 2018.

4 REVENUE FROM CONTRACTS WITH CUSTOMERS AND COST OF SALES

	2018		2017	
	Revenue	**Cost of sales**	Revenue	Cost of sales
	US$	***US$***	*US$*	*US$*
Above-ground pools and portable spas	**372,973,563**	**281,578,203**	327,473,260	252,450,049
Recreation products	**187,474,819**	**131,544,324**	150,332,021	111,288,162
Sporting goods	**119,315,333**	**81,728,656**	96,346,308	65,597,545
Camping products	**185,517,360**	**139,861,604**	148,394,591	110,435,026
	865,281,075	**634,712,787**	722,546,180	539,770,782

5 OTHER INCOME

	2018	2017
	US$	*US$*
Marketing compensation *(i)*	**3,881,350**	–
Government grants	**3,018,604**	16,011,321
Rental income and related services *(ii)*	**2,369,941**	–
Sales of raw materials and scraps	**1,131,901**	631,767
Amortisation of deferred government grants	**503,103**	29,720
Others	**343,815**	174,132
	11,248,714	16,846,940

Note:

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

(ii) The Group leased out its premise to a third party and provided related services such as property management.

6 OTHER LOSSES

	2018	2017
	US$	*US$*
Financial assets at fair value through profit or loss		
–Fair value gains	**125,880**	4,409
Derivative financial instruments		
–Unrealised fair value changes on derivative financial instruments	**(19,961,159)**	(1,707,557)
–Realised (losses)/gains on derivative financial instruments	**(10,111,903)**	3,606,352
Losses on disposal of property, plant and equipment	**(389,330)**	(441,232)
Net foreign exchange gains/(losses)	**7,886,363**	(7,781,539)
Others	**1,322,101**	84,871
	(21,128,048)	(6,234,696)

7 EXPENSES BY NATURE

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

	2018	2017
	US$	*US$*
Raw materials and consumables used	**461,984,271**	393,476,803
Wages and salaries, social welfare and benefits, including director's emoluments	**157,995,234**	126,365,900
Transportation expenses	**27,365,064**	20,872,666
Processing fee	**24,139,083**	22,997,242
Utility fee	**18,556,629**	15,204,254
Depreciation and amortisation	**18,034,525**	13,259,198
Service fees and commissions	**17,583,196**	16,525,378
Advertising and promotion expenses	**9,616,976**	8,594,940
Maintenance and repair	**8,869,719**	7,150,079
Research and development expenses	**7,801,904**	7,926,542
Royalty expenses	**6,056,265**	5,855,503
After-sale services	**3,111,271**	2,424,702
Audit services	**608,068**	425,051
Write-down of inventories	**625,323**	(314,761)
Listing expenses	**–**	5,045,921
Other expenses	**27,465,754**	23,067,940
	789,813,282	668,877,358

8 FINANCE EXPENSES – NET

	2018	2017
	US$	*US$*
Finance expenses:		
– Interest expenses on bank borrowings	**(8,887,460)**	(5,927,908)
– Interest expenses on retirement benefit obligations	**(22,444)**	(8,631)
– Foreign exchange (losses)/gains on financing activities	**(1,568,988)**	1,313,585
Less: amounts capitalised on qualifying assets	**492,246**	739,580
	(9,986,646)	(3,883,374)
Finance income:		
– Interest income derived from bank deposits	**479,183**	218,153
Finance expenses – net	**(9,507,463)**	(3,665,221)

9 INCOME TAX EXPENSE

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

	2018	2017
	US$	*US$*
Current income tax	**11,782,091**	14,493,829
Deferred income tax	**16,973**	(1,768,944)
Income tax expenses	**11,799,064**	12,724,885

(i) Cayman Islands profits tax

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

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

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

(iii) Hong Kong profits tax

The Company's subsidiaries, Bestway Enterprise Company Limited and Bestway (Hong Kong) International Limited, are subject to Hong Kong profits tax. The applicable Hong Kong profits tax rate is 16.5% during the year ended December 31, 2018 and 2017.

(iv) ***PRC corporate income tax ("CIT")***

CIT is provided on the assessable income of entities within the Group incorporated in the PRC. The applicable CIT tax rate is 25% except for a subsidiary which is qualified as High and New Technology Enterprises ("**HNTE**") and is entitled to enjoy a beneficial tax rate of 15% from 2016 to 2018.

(v) ***Other overseas profits tax***

Overseas profits tax has been provided at the rates of taxation prevailing in the countries in which the Group operates, with the range from 20% to 41%, during the year ended December 31, 2018 and 2017.

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

	2018	2017
	US$	*US$*
Profit before income tax	**55,346,897**	60,293,293
Tax calculated at applicable tax rates	**13,298,148**	11,874,255
Income not subject to profits tax	**(5,875)**	(4,691)
Expenses not deductible for tax purpose	**819,921**	1,483,317
Tax benefit from HNTE qualification	**(2,198,484)**	(583,706)
Additional deduction of research and development expenses	**(500,648)**	(384,285)
Unrecognised tax losses	**386,002**	289,263
Withholding income tax on dividends from subsidiaries	**–**	50,732
Tax charge	**11,799,064**	12,724,885

10 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the net profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue for the year ended December 31, 2018 and 2017.

	2018	2017
	US$	*US$*
Profit attributable to the shareholders of the Company	**43,059,483**	47,462,397
Weighted average number of ordinary shares in issue	**1,058,391,000**	827,139,597
Basic earnings per share	**0.0407**	0.0574

(b) Diluted

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

	2018	2017
	US$	*US$*
Profit attributable to the owner of the Company	**43,059,483**	47,462,397
Weighted average number of ordinary shares in issue	**1,058,391,000**	827,139,597
Adjustments for share options	**2,155,275**	24,098
	1,060,546,275	827,163,695
Diluted earnings per share	**0.0406**	0.0574

11 DIVIDENDS

	2018	2017
	US$	*US$*
Final dividend for the year ended December 31, 2017 of US$0.0135 (2016: nil) per fully paid share	**14,288,279**	–
Interim dividend for the year ended December 31, 2017 (i)	**–**	11,602,000
	14,288,279	11,602,000
Proposed final dividend (ii)	**13,018,209**	14,288,279

Note:

(i) According to the resolutions of the Board dated May 9, 2017, September 18, 2017 and October 4, 2017, the Company declared interim dividends for the year ended December 31, 2017 to the shareholders, amounting to US$350,000, US$4,620,000 and US$6,632,000.

(ii) A proposed final dividend in respect of the year ended December 31, 2018 of US$0.0123 (2017: US$0.0135) per fully paid share, amounting to a total dividend of US$13,018,209 (2017: US$14,288,279) is to be presented for approval at the annual general meeting of the Company on May 27, 2019. These financial statements do not reflect this as dividend payable.

12 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2018	2017
	US$	*US$*
Opening net book value	**25,273,107**	15,695,242
Other additions	**13,383,904**	8,840,640
Transfer to investment properties *(Note 14)*	**(2,075,573)**	–
Amortisation	**(757,220)**	(480,288)
Currency translation differences	**(1,464,406)**	1,217,513
Closing net book value	**34,359,812**	25,273,107

As at December 31, 2018 and 2017, land use rights of the Group, all located in Mainland China, with a total net book value of RMB192,055,404 (equivalent to US$27,983,361) and RMB165,139,533 (equivalent to US$25,273,107) respectively, were pledged to secure short-term borrowings.

As at December 31, 2018 and 2017, the Group had a collectively-owned land use right with a net book value of RMB9,003,636 (equivalent to US$1,311,871) and RMB9,357,120 (equivalent to US$1,432,022).

The amounts of amortisation charges of land use rights charged to general and administrative expenses and other expenses are as follows:

	2018	2017
	US$	*US$*
General and administrative expenses	**734,015**	480,288
Other expenses	**23,205**	–
Total	**757,220**	480,288

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings *US$*	Machinery and factory equipment *US$*	Vehicles *US$*	Other equipment and fixtures *US$*	Construction in progress *US$*	Total *US$*
Year ended December 31, 2018						
Opening net book amount	106,107,532	37,676,025	2,690,398	9,695,729	67,649,035	223,818,719
Transferred from construction in progress	99,222,289	26,639,026	785,579	7,195,237	(133,842,131)	–
Other additions	3,162,162	2,301,086	945,172	2,060,199	102,817,442	111,286,061
Transferred to investment properties *(Note 14)*	(6,799,248)	–	–	–	–	(6,799,248)
Disposals	(46,701)	(467,426)	(31,497)	(329,307)	–	(874,931)
Depreciation charge	(7,336,484)	(5,576,921)	(1,003,728)	(2,943,505)	–	(16,860,638)
Currency translation differences	(8,334,245)	(1,206,549)	(145,641)	(724,866)	(4,418,741)	(14,830,042)
Closing net book amount	185,975,305	59,365,241	3,240,283	14,953,487	32,205,605	295,739,921
At December 31, 2018						
Cost	221,438,448	88,522,861	6,755,127	27,867,201	32,205,605	376,789,242
Accumulated depreciation	(35,463,143)	(29,157,620)	(3,514,844)	(12,913,714)	–	(81,049,321)
Net book amount	185,975,305	59,365,241	3,240,283	14,953,487	32,205,605	295,739,921

	Buildings and freehold land US$	Machinery and factory equipment US$	Vehicles US$	Other equipment and fixtures US$	Construction in progress US$	Total US$
Year ended December 31, 2017						
Opening net book amount	88,342,388	29,635,321	1,586,742	6,307,269	13,530,385	139,402,105
Transferred from construction in progress	14,255,682	4,975,257	1,013,676	2,897,796	(23,142,411)	–
Other additions	3,950,931	5,464,255	672,592	1,969,515	74,967,678	87,024,971
Disposals	(368,598)	(165,081)	(2,936)	(10,399)	–	(547,014)
Depreciation charge	(5,653,039)	(4,291,093)	(706,693)	(2,048,489)	–	(12,699,314)
Currency translation differences	5,580,168	2,057,366	127,017	580,037	2,293,383	10,637,971
Closing net book amount	106,107,532	37,676,025	2,690,398	9,695,729	67,649,035	223,818,719
At December 31, 2017						
Cost	140,567,900	62,881,010	5,377,216	20,240,435	67,649,035	296,715,596
Accumulated depreciation	(34,460,368)	(25,204,985)	(2,686,818)	(10,544,706)	–	(72,896,877)
Net book amount	106,107,532	37,676,025	2,690,398	9,695,729	67,649,035	223,818,719

During the year ended December 31, 2018 and 2017, the Group has capitalised borrowing costs amounting to US$492,246 and US$739,580, respectively, on qualifying assets. Borrowing costs were capitalised at the weighted average rate of 4.54% and 4.03% per annum, respectively.

The amounts of depreciation expense charged to cost of sales, selling and distribution expenses and general and administrative expenses are as follows:

	2018 *US$*	2017 *US$*
Cost of sales	**10,486,829**	7,805,812
Selling and distribution expenses	**197,249**	180,667
General and administrative expenses	**6,176,560**	4,712,835
Total	**16,860,638**	12,699,314

As at December 31, 2018 and 2017, buildings of the Group with a total net book value of RMB837,363,307 (equivalent to US$122,077,709) and RMB321,356,844 (equivalent to US$49,180,748) respectively, were pledged to secure short-term bank borrowings.

As at December 31, 2018 and 2017, machinery and factory equipment of the Group with a total net book value of RMB79,194,386 (equivalent to US$11,538,988) and RMB10,806,907 (equivalent to US$1,653,899) respectively, were pledged to secure short-term borrowings.

14 INVESTMENT PROPERTIES

	2018
	US$
Year ended December 31, 2018	
Opening net book amount	–
Transferred from land use right *(Note 12)*	**2,075,573**
Transferred from property, plant and equipment *(Note 13)*	**6,799,248**
Depreciation	**(188,649)**
Currency translation differences	**(208,194)**
Closing net book amount	**8,477,978**

(i) Amounts recognised in profit or loss for investment properties:

	For the year ended December 31,	
	2018	2017
	US$	*US$*
Rental income	**1,344,979**	–
Direct operating expenses from property that generated rental income	**188,649**	–

As at December 31, 2018, Investment properties with a total net book value of RMB58,186,062 (equivalent to US$8,477,978), were pledged to secure short-term bank borrowings.

The fair value of the properties as at December 31, 2018, which includes the building with the carrying amount of RMB44,403,320 (equivalent to US$6,469,769) and the land use right with the carrying amount of RMB13,782,742 (equivalent to US$2,008,209), is approximately RMB387,680,000 (equivalent to US$56,486,770).

Leasing arrangements

Some of the investment properties are leased to tenants under long-term operating leases with rentals payable quarterly. Minimum future lease rentals under non-cancellable operating leases of investment properties not recognised in the consolidated financial statements are as follows:

	Year ended December 31,	
	2018	2017
	US$	*US$*
Later than 5 years	**35,680,152**	–
Later than 1 year but not later than 5 years	**12,425,566**	–
Not later than 1 year	**2,596,028**	–
	50,701,746	–

15 INTANGIBLE ASSETS

	Licences *US$*	Computer software *US$*	Total *US$*
Year ended December 31, 2018			
Opening net book amount	**22,754**	**544,895**	**567,649**
Additions	**531**	**747,970**	**748,501**
Other disposal	**–**	**(8,864)**	**(8,864)**
Amortisation charge	**(10,078)**	**(217,939)**	**(228,017)**
Currency translation differences	**(99)**	**(36,322)**	**(36,421)**
Closing net book amount	**13,108**	**1,029,740**	**1,042,848**
At December 31, 2018			
Cost	123,609	1,444,427	1,568,036
Accumulated amortisation	(110,501)	(414,687)	(525,188)
Net book amount	13,108	1,029,740	1,042,848
Year ended December 31, 2017			
Opening net book amount	26,787	393,325	420,112
Additions	6,400	184,952	191,352
Amortisation charge	(10,818)	(68,778)	(79,596)
Currency translation differences	385	35,396	35,781
Closing net book amount	22,754	544,895	567,649
At December 31, 2017			
Cost	120,271	700,475	820,746
Accumulated amortisation	(97,517)	(155,580)	(253,097)
Net book amount	22,754	544,895	567,649

The amounts of amortisation charges of intangible assets charged to general and administrative expenses are as follows:

	2018 ***US$***	2017 *US$*
General and administrative expenses	**228,017**	79,596

16 TRADE RECEIVABLES

	2018	2017
	US$	*US$*
Trade receivables	**211,484,074**	141,137,998
Less: allowance for impairment of trade receivables	**(2,264,620)**	(1,530,345)
Trade receivables – net	**209,219,454**	139,607,653

As at December 31, 2018 and 2017, the ageing analysis of the trade receivables based on invoice date is as follows:

	2018	2017
	US$	*US$*
Up to 3 months	**133,298,889**	124,163,349
4 to 6 months	**30,814,255**	7,769,424
7 to 12 months	**47,210,782**	9,205,225
Over 1 year	**160,148**	–
	211,484,074	141,137,998

The credit terms granted to customers by the Group are usually 30 to 240 days.

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

	2018	2017
	US$	*US$*
US$	**205,906,827**	133,844,576
RMB	**3,073,849**	3,045,576
EUR	**2,476,631**	3,388,870
Other currencies	**26,767**	858,976
	211,484,074	141,137,998

(i) Pledged trade receivables

As at December 31, 2018, the Group pledged trade receivables of EUR622,832 (equivalent to US$712,133) (2017: EUR 157,830 (equivalent to US$188,460)) and US$19,566,453 as securities for the banking facilities and borrowings.

(ii) Fair values of trade receivables

Due to the short-term nature of the current recivables, their carrying amount is considered to be the same as their fair value.

(iii) Impairment and risk exposure

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Movements on the Group's allowance for impairment of trade receivables are as follows:

	2018	2017
	US$	*US$*
At beginning of the year	**(1,530,345)**	(1,228,416)
Provision for impairment of trade receivables	**(735,944)**	(301,808)
Currency translation differences	**1,669**	(121)
At the end of the year	**(2,264,620)**	(1,530,345)

The creation and release of provision for impaired receivables have been included in 'net impairment losses on financial and contract assets' in the consolidated statements of profit or loss. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in the 2018 annual report.

17 SHARE CAPITAL AND SHARE PREMIUM

	Number of issued shares	**Ordinary shares**	**Share premium**	**Total**
		US$	*US$*	*US$*
At December 31, 2018 and 2017	1,058,391,000	1,355,633	140,636,893	141,992,526

18 OTHER RESERVES

	Retained earnings *(i)* *US$*	Other Reserves *US$*	Total *US$*
Balance at January 1, 2017	212,196,981	(7,702,418)	204,494,563
Profit for the year	47,462,397	–	47,462,397
Dividends *(Note 11)*	(11,602,000)	–	(11,602,000)
Employees share option scheme:			
Value of employee services	–	18,372	18,372
Currency translation differences	–	18,380,488	18,380,488
Balance at December 31, 2017	248,057,378	10,696,442	258,753,820
Profit for the year	43,059,483	–	43,059,483
Dividends *(Note 11)*	(14,288,279)	–	(14,288,279)
Employees share option scheme:			
Value of employee services	–	1,598,050	1,598,050
Currency translation differences	–	(21,785,427)	(21,785,427)
Balance at December 31, 2018	**276,828,582**	**(9,490,935)**	**267,337,647**

(i) In accordance with the PRC Company Law and the articles of association of the PRC subsidiaries of the Group (the "**PRC subsidiaries**"), the PRC subsidiaries are required to allocate 10% of their profits attributable to the respective owners of the PRC subsidiaries as set out in their statutory financial statements, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the respective PRC subsidiaries.

For the year ended December 31, 2018 and 2017, PRC subsidiaries set aside after-tax profit of US$2,285,419 and US$2,105,052, respectively, to their statutory reserve funds. As at December 31, 2018 and 2017, the accumulated amount of such statutory reserve funds was US$33,848,700 and US$31,563,281, respectively.

19 TRADE PAYABLES

	2018	2017
	US$	*US$*
Trade payables	**184,284,396**	154,661,624

The Group's trade payables are denominated in the following currencies:

	2018	2017
	US$	*US$*
RMB	**110,390,509**	100,753,185
US$	**65,894,661**	49,316,921
Other	**7,999,226**	4,591,518
	184,284,396	154,661,624

The ageing analysis of the trade payables based on invoice date was as follows:

	2018	2017
	US$	*US$*
Within 3 months	**178,197,821**	146,354,955
4 to 6 months	**2,824,099**	6,719,505
7 to 12 months	**3,137,780**	842,738
1 – 2 years	**124,696**	744,426
	184,284,396	154,661,624

20 OTHER PAYABLES AND ACCRUALS

	2018	2017
	US$	*US$*
Current		
Accruals and other payables	**93,102,577**	48,340,577
Payroll and employee benefit payables	**14,085,893**	16,153,562
Advances from customers – third parties	**–**	10,961,069
Tax payables	**305,334**	1,008,741
Interest payables	**641,843**	295,638
Less: Long-term payables *(i)*	**(18,294,396)**	(5,441,434)
	89,841,251	71,318,153

(i) Long-term payables mainly related to the payables for the construction of manufacturing facilities.

21 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2018	2017
	US$	*US$*
Deferred tax assets:		
– Deferred tax asset to be recovered within 12 months	**3,477,129**	3,431,643
– Deferred tax asset to be recovered after more than 12 months	**1,155,793**	1,203,428
	4,632,922	4,635,071
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered within 12 months	**(744,426)**	–
– Deferred tax liabilities to be recovered after more than 12 months	**–**	(784,826)
	(744,426)	(784,826)
Deferred tax assets, net	**3,888,496**	3,850,245

The gross movement of the deferred income tax account is as follows:

	2018	2017
	US$	*US$*
At beginning of year	**3,850,245**	2,042,033
Currency translation differences	**55,224**	39,268
Statements of profit or loss – (charge)/credit *(Note 9)*	**(16,973)**	1,768,944
At end of year	**3,888,496**	3,850,245

The movement in deferred tax assets and liabilities, without taking consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Provisions	**Tax losses**	**Fair value losses**	**Unrealised profits**	**Deferred government grants**	**Share-based payments**	**Total**
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
At January 1, 2017	1,886,741	1,211,475	–	769,090	–	–	3,867,306
(Charged)/credited to the consolidated statements of profit or loss	(412,874)	(1,211,191)	272,314	876,470	1,192,497	3,031	720,247
Currency translation differences	88,440	–	11,052	(87,630)	35,656	–	47,518
At December 31, 2017	1,562,307	284	283,366	1,557,930	1,228,153	3,031	4,635,071
(Charged)/credited to the consolidated statements of profit or loss	127,646	406,352	(324,125)	(92,909)	(76,091)	(3,031)	37,842
Currency translation differences	(100,908)	(9,746)	83,880	58,403	(71,620)	–	(39,991)
At December 31, 2018	1,589,045	396,890	43,121	1,523,424	1,080,442	–	4,632,922

Deferred tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at December 31, 2018 and 2017, the Group did not recognise deferred tax assets of US$386,002 and US$365,351, in respect of losses amounting to US$2,059,085 and US$1,137,128 that can be carried forward against future taxable income.

Deferred tax liabilities

	Rent free income US$	Fair value gains US$	Withholding tax for dividend distribution US$	Others US$	Total US$
At January 1, 2017	–	287,608	1,537,665	–	1,825,273
Charged/(credited) to the consolidated statements of profit or loss	–	(290,806)	–	172,109	(118,697)
Utilisation of previous recognised withholding tax	–	–	(930,000)	–	(930,000)
Currency translation differences	–	3,198	–	5,052	8,250
At December 31, 2017	–	–	607,665	177,161	784,826
Charged/(credited) to the consolidated statements of profit or loss	336,245	103,408	–	222,827	662,480
Utilisation of previous recognised withholding tax	–	–	(607,665)	–	(607,665)
Currency translation differences	(8,060)	–	–	(87,155)	(95,215)
At December 31, 2018	328,185	103,408	–	312,833	744,426

As at December 31, 2018 and 2017, deferred tax liabilities of US$8,515,500 and US$6,497,144 have not been recognised for the withholding tax that would otherwise be payable on the unremitted earnings of certain subsidiaries. Management currently has no intention to remit those earnings in the foreseeable future. Such unremitted earnings totalled US$170,309,999 and US$129,942,871, as at December 31, 2018 and 2017, respectively.

CHAIRMAN'S STATEMENT

Dear Shareholders,

The Group is a global leading branded company for outdoor leisure products. During the year ended December 31, 2018 (the "**year under review**"), the Group maintained strong growth in its sales revenue. Despite increasing uncertainties in global economy and continuing trade disputes between China and the US, the Group performed well in terms of product sales in major regions, which reflected the Group's strong product R&D capabilities, large market share and strong influence.

RESULTS AND DIVIDEND

During the year under review, the Group's revenue amounted to approximately US$865 million, which was again record breaking, representing a year-on-year growth of 19.8%. The Group's gross profit margin also increased from 25.3% in 2017 to 26.6% in 2018, which was mainly attributed to the upward adjustment on the prices of products in 2019 Season Product Catalogue by the Company. However, the Group's net profit decreased by 8.5% from US$47.6 million in 2017 to US$43.5 million in 2018, which was mainly due to the unrealised fair value change on derivative financial instruments (after considering income tax effect) of foreign exchange rate hedging carried out by the Group. The adjusted net profit (representing net profit deducted by unrealised fair value changes on derivative financial instruments after considering income tax effect) amounted to US$60.7 million, representing a period-on-period increase of 24.1%. The Board has proposed a final dividend of US$13.0 million, or US$0.0123 per Share (equivalent to approximately HK$0.0962 per Share), representing a dividend payout ratio of 30%.

BUSINESS REVIEW

In 2018, the Group further consolidated its leading market share in the world. According to the Frost & Sullivan report, market share of the Group in the inflatable outdoor leisure products industry stood at over 35.0%, ranking the second in the world, the first in the European market and the second in the North America market and retaining a leading position in other emerging markets. In addition, the Group's global market share was very close to that of its biggest competitor, which implied that the Group is having more distinctive competitive advantage. Brand awareness and market penetration of products of the Group continued to rise in all major regions, which facilitated closer cooperation between the Group and its major customers – retailers and e-commerce operators, and continuously enhanced user loyalty of the products.

During the year ended December 31, 2018, our four core product groups recorded rapid sales growth. Above-ground pools and portable spas posted a 13.9% growth, mainly attributable to the successful promotional strategies of the new products, such as the "Swim Vista" series of above-ground pools and "Helsinki" series of AirJet portable spas. Recreation products also demonstrated outstanding performance with a 24.7% growth, mainly attributed to the huge success of "Fashion Float" series in Europe and in the world as well as the satisfactory performance of Inflatable Play Center, a new product. Sporting goods also recorded rapid year-on-year sales growth of 23.8%, mainly attributable to the continuous and significant sales growth arising from inflatable and portable stand-up paddle boards and other water sporting products. Camping products showed satisfactory year-on-year growth of 25.0%, mainly attributed to wide recognition of the Group's "FORTECH" series of high-end fabric inflatable mattress in the market, leading to the overall sales growth of inflatable mattresses and furniture.

During the year ended December 31, 2018, the Group maintained a positive growth momentum in every major region. European market, the largest contributor of the Group's revenue, maintained a growth rate of 17.7%, which was higher than the market average as a result of the absolute leading position of the Group in the region. The Group's sales maintained a relatively rapid growth rate of 22.8% in the North America market. The trade disputes between China and the US did not affect the Group's business in North America. The Group further expanded the number of SKUs in North America and optimized its product mix and expanded to cover more retailers or e-commence channels. In the Asia-Pacific region, the Group achieved rapid growth again, with a sales revenue growth of 25.1%. The Group has spent tremendous efforts in marketing promotion in major markets in Asia-Pacific region, such as China and Southeast Asia, to facilitate consumers in this region to become familiar with and understand the Group's outdoor leisure products. These marketing promotions were effective and brought about rapid revenue growth of the Group in those areas. In order to continuously expand the global sales presence, the Group has established a company in Poland and is in the process of establishing a company in Dubai so as to further expand its business in Eastern Europe and the Middle East.

The Group's 2019 sales year (for the period from May 1, 2018 to April 30, 2019) began in May 2018. During the 2019 sales year, the Group paid more attention to the product upgrade of existing product lines and introduced three new product lines, including: 1) H_2O GO! Inflatable Play Center, which attracted sales order of over US$15 million in its first year of market launch; 2) H_2O GO! Snow Tube for recreational skiing in winter, which also recorded decent sales performance; 3) Bestway Swim Trainer which allows the user to swim at a flat speed in the above-ground pool to enhance fitness. The Group places high expectations on such products, which will hopefully become another popular product which can lead to considerable sales amount. Orders received by the Group during the first three quarters of the 2019 sales year increased by 15-20%, 20-25% and 15-20% respectively as compared with the corresponding period of the 2018 sales year. Such positive order growth has laid a solid foundation for the Group's revenue growth in 2019 financial year.

During the year ended December 31, 2018, the Group made continuous investment in product innovation and material R&D, with R&D related costs reaching approximately US$15 million. During the year of 2018, the Group applied for 50 patents worldwide, including invention patents and structural design patents. As of December 31, 2018, 161 patents had been obtained, and another 112 applications had been made. The DROP STICH material developed by the Group during the year of 2018 was further improved in terms of production efficiency and material capability, and commenced full scale production in 2019. Such material enables the Group to develop various new sports products, SPA products and inflatable furniture products.

During the year under review, the Group expanded the production capacity of the manufacturing site in Rugao, Nantong. The manufacturing site in Haian, Nantong also commenced construction in January 2018. As of December 31, 2018, the expansion in Rugao, Nantong (phase 2) and the construction of Haian, Nantong (phase 1) were both completed. The capital expenditure of the Group is expected to decrease substantially in 2019 and beyond. The production capacity of these two manufacturing sites have been gradually put into operation, which can fully meet the rapid growth of sales orders of the Group presently. In addition, during the year under review, the Group has begun the construction of the Bestway manufacturing site in Vietnam (phase 1), which covers 80 acres of land and 35,000 square meters of workshop, and is planned to be put into operation by the end of 2019 with a planned capacity of US$40 million, mainly for manufacturing of recreation products.

OUTLOOK

In 2019, the Group is expected to maintain a relatively rapid revenue growth, mainly attributable to the Group's satisfactory performance in terms of sales order in 2019 sales year. In 2019, despite the challenges in the global economy and the ongoing trade disputes between China and the United States, the Group is confident in the sales of products in the 2020 sales year, which will begin in May 2019. In terms of cost management, the Group will further optimize the structure of raw material suppliers and exercise effective control on the cost of raw materials procurement. At present, the price of major raw materials of the Group has demonstrated a tendency to fall from high level, which is believed to be of positive help to the gross profit margin of the Group. In terms of foreign exchange, the Group will further improve its treasury management policy, strictly control the implementation process and prudently carry out foreign exchange hedging.

In 2019, in terms of new product R&D, the Group will uphold the R&D concept of "step-by-step production, reserve, development and planning" and launch brand-new products and functional updates in the 2020 sales year. The Group will also conduct further product testing and collect user feedback for the swim trainer which was launched in the market in 2019 sales year, and will carry out a larger scale of marketing promotion in the 2020 sales year. Other new products include: a series of mobile app smart control products; sports products, such as SUP and large floating islands, made of new double-sided adhesive Drop Stitch composite materials; and mattresses and leisure products made of new materials of TPU+ fabric surface. These new products are expected to be the highlight of the market.

In 2019, in terms of regional and channel expansion, the Group's products have been sold to more than 110 countries on six continents. It can be said that Bestway branded products are found in every corner of the world. The Group will continue to increase channel penetration in mature markets such as Europe, North America and Australia. Business scale with renowned offline retailers, such as WALMART, LIDL, COSTCO, ALDI, TESCO and Decathlon, expected to continue to expand. The Group will also continue to expand more diversified offline retail channels locally. In China, Southeast Asia, the Middle East and other emerging market regions, the Group will conduct more extensive online and offline marketing promotion to facilitate consumer experience of the Group's products in these areas and improve product awareness among consumers. With the development of internet and social media in the world, online marketing activities of the Group have become increasingly prominent. The Group has more than 300,000 followers worldwide on its official Facebook account and a large number of fans, posts, short videos and views on social media platforms such as Instagram, YouTube and WeChat.

In 2019, in terms of back-end manufacturing, the Group will focus on improving the production efficiency of new production capacity and operating efficiency of new logistics centers, so as to save more production costs. In the meantime, the Group will ensure the construction progress of Bestway manufacturing site in Vietnam (phase 1), commence production on schedule, and formulate measures to guarantee steady improvement of production efficiency.

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

Zhu Qiang
Chairman and Chief Executive Officer
Hong Kong, March 28, 2019

RESULTS OF OPERATIONS

	For the year ended December 31,		
	2018	2017	**Change**
	US$	*US$*	***(%)***
Operating Results			
Revenue from contracts with customers	**865,281,075**	722,546,180	19.8
Cost of sales	**(634,712,787)**	(539,770,782)	17.6
Gross profit	**230,568,288**	182,775,398	26.1
Net profit	**43,547,833**	47,568,408	(8.5)
Net profit margin	**5.0%**	6.6%	(1.6)[3]
Unrealised fair value changes on derivative financial instruments after considering income tax effect	**17,151,493**	1,347,262	1,173.1
Adjusted net profit[1]	**60,699,326**	48,915,670	24.1
Adjusted net profit margin	**7.0%**	6.8%	0.2[3]

	As of December 31,		
	2018	2017	Change
Key Ratios *(%)*			
Gross profit margin	**26.6%**	25.3%	1.3%
Net profit margin	**5.0%**	6.6%	(1.6%)
Gearing ratio[2]	**48.1%**	10.8%	37.3%

Note:

(1) Adjusted net profit refers to net profit less unrealised fair value changes on derivative financial instruments after considering income tax effect.

(2) Equals total debt divided by total equity as of the respective financial period-end date. Total debt is calculated as total borrowings less cash and cash equivalents and restricted cash.

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

Revenue

The revenue of the Group rose significantly by 19.8% from US$722.5 million for the year ended December 31, 2017 to US$865.3 million for the year ended December 31, 2018. For analysis regarding the growth in revenue of the Group, please see paragraphs headed "— Results of Operations — Geographic Region" and "— Results of Operations — Product Group" below.

Net profit

Despite the growth in the revenue and gross profit margin of the Group, the net profit of the Group dropped slightly by 8.5% from US$47.6 million for the year ended December 31, 2017 to US$43.5 million for the year ended December 31, 2018. The decrease was due to the significant depreciation in the exchange rate of Renminbi against US dollars in the second half of 2018, which resulted in US$20.0 million unrealised fair value changes on derivative financial instruments after considering income tax effect. After deducting this part of the unrealised fair value changes on derivative financial instruments after considering income tax effect, the adjusted net profit increased by 24.1% from US$48.9 million in 2017 to US$60.7 million in 2018.

Sales of the Group are mostly quoted and settled in US dollars. Approximately 30% of the cash collection are directly used to pay external parties in US dollars, and approximately 70% of the cash collection are converted to Renminbi. In respect of the 70% of receivables (in US dollars and would be converted to Renminbi after cash collection) which was exposed to foreign exchange risk, we have taken the following measures to reduce foreign exchange rate risk: (i) buying raw materials and paying such fees incurred in US dollars to the extent possible to naturally hedge the foreign exchange rate risk; (ii) for the foreign exchange rate risk which cannot be hedged naturally, taking into consideration the estimated amount of cash to be collected in US dollars in each month in the following year (and deducting the amount of payment to be paid in US dollars), we purchase forward foreign exchange contracts of a one-year term for such remaining amounts (which are expected to be converted and paid out as Renminbi), which in effect fixes the future foreign exchange rate continually and dispersedly on a monthly basis; and (iii) using a fixed foreign exchange rate in June each year to make a global sales quotation (in US dollars) for the next business year to ensure that future foreign exchange rate fluctuations have minimal impact on our operating performance so that we can focus on improving the internal control of production and procurement to ensure the continuous stability in our operating performance.

We have also set up the following internal control procedures for foreign exchange transactions: (i) using financial instruments with low risk, such as ordinary forward foreign exchange contracts, as our hedging arrangements within the scope of foreign exchange risk exposure. This was carried out separately based on the daily or monthly conditions of cash flow after one year, so that the risk of exchange rate fluctuations will be diluted to the maximum extent; (ii) established a trading process control system operated by traders, trading executives and trading committee which includes regular financial and trading records crosschecking, producing transaction summary reports regularly and a precautionary warning mechanism; and (iii) hired more traders with experience in foreign exchange trading.

Product Group

We offer a variety of outdoor leisure products. We categorize our products into four core product groups and 18 product categories. We market and sell these products primarily under our own BESTWAY brand umbrella, in conjunction with a portfolio of sub-brands based on their product categories and market positioning. The following table sets forth the revenue for our four core product groups, presented by the amount and as a percentage of our total revenue for the years indicated:

	For the year ended December 31,				
Product Group	**2018**		2017		**2018 vs. 2017**
	US$	***%***	*US$*	*%*	**% Change**
Above-ground pools and portable spas	**372,973,563**	**43.1**	327,473,260	45.3	13.9
Recreation products	**187,474,819**	**21.7**	150,332,021	20.8	24.7
Sporting goods	**119,315,333**	**13.8**	96,346,308	13.4	23.8
Camping products	**185,517,360**	**21.4**	148,394,591	20.5	25.0
Total	**865,281,075**	**100**	722,546,180	100	19.8

The sales mix of our four core product groups recorded a rapid overall growth during the year ended December 31, 2018 in comparison to the year ended December 31, 2017. It is mainly due to the "Swim vista" series swimming pool and the "Helsinki" series new spa products leading to a 13.9% growth in the above-ground pools and portable spas, with a 25.9% growth in spa products. The "Fashion Float" series has also achieved great success in Europe and around the world, driving a 24.7% growth in recreation products. The sporting goods also achieved a high growth rate of 23.8% with a significant increase in sales of hard water skateboards and sports and leisure boats (both over 100%). Finally, as the "Fortech" series of high-end fabric mattresses was widely recognized in the markets, camping products also achieved a 25.0% increase.

Geographic Region

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

Geographic Region	For the year ended December 31,				
	2018		2017		**2018 vs. 2017**
	US$	**%**	*US$*	%	**% Change**
Europe[1]	**407,570,231**	**47.1**	346,403,442	47.9	17.7
North America[2]	**252,149,607**	**29.1**	205,353,431	28.4	22.8
Asia Pacific[3]	**80,778,484**	**9.3**	64,593,847	8.9	25.1
Including: Mainland China	**26,242,170**	**3.0**	19,722,436	2.7	33.1
Rest of the world[4]	**124,782,753**	**14.5**	106,195,460	14.8	17.5
Total	**865,281,075**	**100.0**	722,546,180	100.0	19.8

Notes:

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

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

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

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

For the year ended December 31, 2018, our market share in the European market continued to increase, recording a steady growth of 17.7%, mainly due to the continuous high demand for innovative products like the "Helsinki" series spas and inflatable hard water skateboards. We have also continued to enhance our cooperation with our strategic partners. The sales of the "Fashion Float" series and the "Fortech" series high-end fabric mattresses have also driven the significant sales growth of 22.8% in North America.

For the year ended December 31, 2018, revenue in Asia Pacific increased by 25.1%, mainly due to a significant increase in revenue of 33.1% in Mainland China. The growth in Mainland China was mainly attributable to (i) promotion in online and physical stores; and (ii) brand awareness and brand reputation improvement.

Revenue in the rest of the world also recorded a steady growth of 17.5%.

Cost of Sales

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

	Revenue		Cost of Sales			
	For the year ended December 31,				% Change	
	2018	2017	**2018**	2017	Revenue	Cost of Sales
	US$	*US$*	***US$***	*US$*		
Above-ground pools and portable spas	**372,973,563**	327,473,260	**281,578,203**	252,450,049	13.9	11.5
Recreation products	**187,474,819**	150,332,021	**131,544,324**	111,288,162	24.7	18.2
Sporting goods	**119,315,333**	96,346,308	**81,728,656**	65,597,545	23.8	24.6
Camping products	**185,517,360**	148,394,591	**139,861,604**	110,435,026	25.0	26.6
Total	**865,281,075**	722,546,180	**634,712,787**	539,770,782	19.8	17.6

Our cost of sales primarily comprises costs of raw materials and consumables used, wages and salaries, social welfare and benefits and manufacturing costs. Our cost of sales increased by 17.6% from US$539.8 million for the year ended December 31, 2017 to US$634.7 million for the year ended December 31, 2018 and was 74.7% and 73.4% as a percentage of revenue for the years ended December 31, 2017 and 2018, respectively.

Gross Profit and Gross Profit Margin

Gross profit represents revenue less cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. Our gross profit increased by 26.1% from US$182.8 million in 2017 to US$230.6 million in 2018. Our gross profit margin increased from 25.3% in 2017 to 26.6% in 2018. The 1.3% increase in our gross profit margin was resulted from (i) the upward adjustment on the prices of products in 2019 Season Product Catalogue; (ii) the continuous increase in production efficiency; and (iii) the depreciation in the exchange rate of Renminbi against US dollars in the second half of 2018.

Operating Profit and Operating Profit Margin

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of transportation expenses, service fees and commissions paid to our third-party regional relationship managers, wages and salaries, social welfare and benefits for our marketing and sales personnel, advertising and promotion expenses and after-sales services expenses. For the years ended December 31, 2017 and 2018, our selling and distribution expenses were US$68.9 million and US$84.4 million, respectively, representing 9.5% and 9.8% of our revenue in these respective periods.

General and administrative Expenses

Our general and administrative expenses primarily consist of wages and salaries, social welfare and benefits for our administrative and management personnel, R&D expenses, depreciation and amortization of our office and employees dormitories, maintenance fees and rental expenses. For the years ended December 31, 2017 and 2018, our general and administrative expenses were US$60.2 million and US$70.7 million. Our general and administrative expenses amounted to 8.3% and 8.2% of the revenue for the years ended December 31, 2017 and 2018, respectively. It was attributed to (i) the effect on fixed expenses such as administrative and managerial salaries, depreciation, maintenance of the office premises form the resultant economies of scale from the business expansion and (ii) the operational management efficiency from the upgraded information system of us such as the systems developed by SAP.

Other Income

Our other income decreased by US$5.6 million from US$16.8 million in 2017 to US$11.2 million in 2018, primarily due to the reduction of US$12.5 million in government grants in 2018 which represented the one-off government grants (under a supporting fund scheme under the PRC government's policy to the industry) granted to our subsidiary in Nantong in 2017.

The rental income of a logistics center in Shanghai has brought to the Company a stable income of US$2.4 million in 2018.

Other Losses

Our other losses of US$6.2 million in 2017 increased to US$21.1 million in 2018. For further details, please see the analysis of foreigner exchange risk in the paragraphs headed "— Results of Operations — Net profit".

Operating profit

Our operating profit increased by 1.4% from US$64.0 million for the year ended December 31, 2017 to US$64.9 million for the year ended December 31, 2018.

Profit for the Year

Our profit for the year decreased by 8.5% from US$47.6 million in 2017 to US$43.5 million in 2018. The decrease was a result of US$20.0 million unrealised fair value changes on derivative financial instruments after considering income tax effect. After deducting this part of the unrealised fair value changes on derivative financial instruments after considering income tax effect, the adjusted net profit increased by 24.1% from US$48.9 million in 2017 to US$60.7 million in 2018.

Finance Expenses — Net

Finance expenses include interest expenses on bank borrowings, interest expenses on retirement benefit obligations and foreign exchange losses on our financing activities. Finance income includes interest income on bank deposits. For the years ended December 31, 2017 and 2018, the net amount of finance expenses was US$3.7 million and US$9.5 million, respectively, representing 0.5% and 1.1% of total revenue, respectively. The increase of finance expenses was primarily due to (i) an increase in interest expenses of US$3.0 million; and (ii) an increase in foreign exchange losses from financing activities of US$2.9 million.

Income Tax Expenses

Our income tax expenses decreased by 7.3% from US$12.7 million in 2017 to US$11.8 million in 2018. Our effective income tax rate increased from 21.1% in 2017 to 21.3% in 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our primary uses of cash in 2018 were to pay for purchases of raw materials and capital expenditure for expansion of production facilities. For details regarding the purchases of raw materials, please see paragraph headed "— Results of Operations — Cost of Sales" above in this section. We financed our working capital requirements through a combination of funds generated from our operating activities, bank borrowings and the proceeds from the Company's global offering.

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

Capital Expenditure

Capital expenditure for the year ended December 31, 2018 mainly comprises expenditure on (i) property, plant and equipment related to the construction of manufacturing facilities in Nantong and Yancheng; and (ii) land use rights related to the expansion of our manufacturing facilities in Nantong. In 2018, we funded our capital expenditures primarily with proceeds from financing activities, internally generated resources and borrowings. The table below shows a breakdown of the capital expenditure for the respective years:

	Year ended December 31,	
	2018	2017
	US$	*US$*
Payments for property, plant and equipment	**92,054,703**	81,867,125
Payments for land use rights	**13,383,904**	8,840,640
Payments for intangible assets	**748,501**	191,352
Prepayments for land use rights	**(10,612,015)**	13,517,493
Total Capital Expenditure	**95,575,093**	104,416,610

The capital expenditure of the Group decreased by 8.5% to US$95.6 million as of December 31, 2018 (2017: US$104.4 million), due to the collection of the prepayments of land deposits of US$10.6 million in 2017. We plan to finance our capital commitments with bank borrowings, cash flows generated from operating activities.

Liquidity and Cash Flow

	For the year ended December 31,		
	2018	2017	**Change**
	US$	*US$*	***US$***
Cash flow			
Net cash generated (used in)/from operating activities	**(26,862,878)**	12,273,473	(39,136,351)
Net cash used in investing activities	**(121,140,640)**	(99,399,722)	(21,740,918)
Net cash generated from financing activities	**68,652,576**	175,360,200	(106,707,624)
Net (decrease)/increase in cash and cash equivalent	**(79,350,942)**	88,233,951	(167,584,893)

	As of December 31,		
	2018	2017	**Change**
	US$	*US$*	***US$***
Current Assets and Current Liabilities			
Current Assets	**644,248,062**	543,275,985	100,972,077
Current Liabilities	**(537,759,007)**	(400,171,712)	(137,587,295)
Net Current Assets	**106,489,055**	143,104,273	(36,615,218)

The Group maintains a strong and healthy balance sheet. As of December 31, 2018, the gearing ratio was 48.1%, representing a 37.3% increase as compared with December 31, 2017 (gearing ratio equals to total debt divided by total equity). Net current assets decreased by 25.6% from US$143.1 million as of December 31, 2017 to US$106.5 million as of December 31, 2018. In contrast with the 216.7% increase recorded in 2017, the 25.6% decrease in net current assets recorded in 2018 was primarily due to the increase of US$79.8 million in borrowings for meeting the increasing working capital demand arising from business growth.

The Group's net cash outflow from operating activities was US$26.9 million, representing a decrease of US$39.1 million as compared to December 31, 2017 (2017: net cash inflow US$12.3 million). The increase in net cash outflow from operating activities was mainly attributed to (i) the pre-stocking for fulfilling the orders in the first quarter of 2019, resulted in an increase of US$80.7 million in inventory and (ii) the longer trade receivables turnover days in 2018 due to we extended the credit period for our strategic retail customers in Europe and the US, which resulted in increase of trade receivables of US$70.3 million.

Borrowings

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

	As of December 31,	
	2018	2017
	US$	*US$*
Bank borrowings		
Secured	**21,218,752**	–
Short-term bank borrowings		
Secured	**213,454,391**	157,804,962
Unsecured	**2,923,700**	25,592
Total	**237,596,843**	157,830,554

Our bank borrowings were primarily denominated in US dollars, Renminbi and Euro, and a majority of them were short-term borrowings that we entered into to finance our working capital. As of December 31, 2017 and 2018, the weighted average effective interest rate of our borrowings was 4.28%, and 4.30% per annum, respectively. Our bank borrowings amounted to US$157.8 million and US$237.6 million as of December 31, 2017 and 2018, respectively. The increase was primarily due to the working capital demand arising from business growth.

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

	As of December 31,		
	2018	2017	**Change**
	US$	*US$*	***US$***
Within one year	**216,378,091**	157,830,554	58,547,537
After one year	**21,218,752**	–	21,218,752
Total	**237,596,843**	157,830,554	79,766,289

FINANCIAL POSITION

Inventories

Our inventories consist primarily of raw materials, work-in-progress and finished goods. The following table sets forth a summary of our total inventories as of the dates indicated:

	As of December 31,	
	2018	2017
	US$	*US$*
Raw materials	**67,386,585**	57,138,713
Work-in-progress	**78,988,319**	77,889,519
Finished goods	**184,649,959**	115,934,151
Total	**331,024,863**	250,962,383

Our inventories increased by US$80.1 million to US$331.0 million as of December 31, 2018, compared to December 31, 2017, primarily due to the corresponding increase in the stock of raw materials, work-in-progress and finished goods driven by rapid sales growth.

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

	For the year ended December 31,	
	2018	2017
Inventory turnover days[(1)]	**167**	140

Note:

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

Our inventory turnover days increased from 140 days in 2017 to 167 days in 2018, while the balance of inventories increased from US$251.0 million in 2017 to US$331.0 million in 2018. The cost of sales also increased from US$539.8 million to US$634.7 million. The increase in inventory turnover days is because the Company determined the average monthly production rate based on the total annual yield in order to cope with the rapid growth of sales and improve production efficiency. Further, in the fourth quarter of 2018, the yield increased more than the corresponding period of last year. This has also contributed to the increase in inventory turnover days. These products are regular stocks and there is no risk of stagnate stocks.

Trade Receivables

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

	As of December 31,	
	2018	2017
	US$	*US$*
Trade receivables	**211,484,074**	141,137,998
Less: allowance for impairment for trade receivables	**(2,264,620)**	(1,530,345)
Total trade-nature receivables	**209,219,454**	139,607,653

Our trade receivables increased by 49.9% from US$139.6 million as of December 31, 2017 to US$209.2 million as of December 31, 2018 primarily due to the significant increase of purchase amount from strategic customers and we grant credit period of 30 to 240 days after delivery of our products to our customers.

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

	For the year ended December 31,	
	2018	2017
Trade receivables turnover days[(1)]	**74**	59

Note:

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

Our trade receivables turnover days increased from 59 days in 2017 to 74 days in 2018. The increase was mainly due to our extension of credit period to support the sales to strategic customers.

Prepayments and Other Receivables

Our prepayments and other receivables remained relatively stable, being US$48.8 million as of December 31, 2017 and US$47.1 million as of December 31, 2018.

Trade Payables

Our trade payables mainly comprise of purchases of raw materials. The trade payables are generally non-interest bearing and we settle most of our trade payables within 30 to 90 days of our suppliers' delivery of the products to us. However, some of our key suppliers granted us credit periods of up to 180 days. Our trade payables increased by 19.2% to US$184.3 million as of December 31, 2018, primarily due to a corresponding increase in procurement of raw materials due to the increase in sales.

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

	For the year ended December 31,	
	2018	2017
Trade payables turnover days[(1)]	**97**	83

Note:

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

Our trade payables turnover days remained relatively stable at 83 days in 2017 and 97 days in 2018. The increase of trade payables turnover days was mainly due to our extension of credit period of payables for long-term strategic suppliers in support of our policy of extending the credit period of receivables to better cater our customers' needs.

Other Payables and Accruals

Our other payables and accruals increased significantly by US$31.3 million from US$76.8 million as of December 31, 2017 to US$108.1 million as of December 31, 2018, primarily due to the increase in construction equipment payables.

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

During the year ended December 31, 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to December 31, 2018 which would materially affect the Group's operating and financial performance as of the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Board is of the view that the Company has complied with all code provisions as set out in the CG Code for the year ended December 31, 2018, save for code provision A.2.1 of the CG Code. The Company has appointed Mr. Zhu Qiang as both the chairman and the chief executive officer of the Company. The Board believes that vesting the roles of the chairman and chief executive officer in the same individual would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors and independent non-executive Directors.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the transactions of securities of the Company by its Directors and the relevant employees who would likely possess inside information of the Company. Specific enquiry has been made to all Directors and all of them have confirmed that they have complied with the Model Code for the period from January 1, 2018 to December 31, 2018.

AUDIT COMMITTEE

The Audit Committee, comprising all the independent non-executive Directors, has reviewed the results of the Group for the year ended December 31, 2018 together with its auditors, and have discussed with the management the accounting principles and practices adopted by the Group and its internal controls and financial reporting matters.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company (the "**2019 AGM**") will be held on May 27, 2019. The notice of the 2019 AGM will be published on the websites of the Company (http://www.bestwaycorp.com) and the Stock Exchange (www.hkexnews.hk) and sent to the Shareholders in due course.

FINAL DIVIDEND

The Board has recommended a final dividend of US$0.0123 per Share (equivalent to approximately HK$0.0962 per Share at the exchange rate of US$1.00 to HK$7.8329 as at December 31, 2018) for the year ended December 31, 2018, amounting to a total of US$13,018,209. Subject to Shareholders' approval at the 2019 AGM, the proposed final dividend will be distributed on July 3, 2019 to Shareholders whose names appear on the register of members of the Company on June 4, 2019.

If the proposed final dividend is approved by the Shareholders at the 2019 AGM, it will be payable in cash in HK dollars or US dollars, at the exchange rate of HK dollars to US dollars as published by Bank of China on May 27, 2019 and Shareholders will be given the option of electing to receive the final dividend in either HK dollars or US dollars.

To make the dividend election, Shareholders should complete the Dividend Currency Election Form (if applicable) and return it to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on June 21, 2019. If no dividend currency election is made by a Shareholder, such Shareholder will receive the final dividend in HK dollars.

CLOSURE OF REGISTER OF MEMBERS

IN RELATION TO THE 2019 AGM

For ascertaining Shareholders' right to attend and vote at the 2019 AGM, the register of members of the Company will be closed from May 22, 2019 to May 27, 2019, both days inclusive, during which period no transfer of Shares will be effected.

In order to be eligible to attend and vote at the forthcoming 2019 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on May 21, 2019 for registration.

IN RELATION TO THE FINAL DIVIDEND

In addition, in order to determine the entitlement of the Shareholders to receive the final dividend, the register of members of the Company will be closed from May 31, 2019 to June 4, 2019, both days inclusive.

In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on May 30, 2019 for registration. The record date and time for entitlement to the proposed final dividend is June 4, 2019 at 4:30 p.m..

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT

This announcement was published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (http://www.bestwaycorp.com). The annual report for the year ended December 31, 2018 will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
Bestway Global Holding Inc.
Zhu Qiang
Chairman and Chief Executive Officer

Hong Kong, March 28, 2019

As at the date of this announcement, the Board of the Company comprises Mr. Zhu Qiang as chairman and executive Director; Mr. Liu Feng, Mr. Tan Guozheng and Mr. Duan Kaifeng as executive Directors; and Mr. Dai Guoqiang, Mr. Lam Yiu Kin and Mr. Yao Zhixian as independent non-executive Directors.