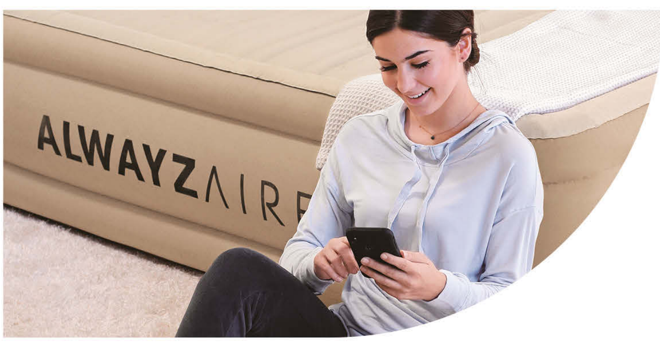
Bestway Global Holding Inc.
榮威國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立的有限公司）

Stock code 股份代號：3358

Your FUN
is our business



Annual Report **2018** 年報

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GLOBAL PRESENCE

Knowledge Professionalism Execution

Bestway has established promotional sales institutions in over 80 countries and 40 customer service centers worldwide in order to support our sales in more than 110 countries.

CORPORATE PROFILE

Bestway Global Holding Inc. (the "**Company**") and its subsidiaries (the "**Group**", "**we**", "**us**" or "**our**") are a global leading branded company for outdoor leisure products, with a reputation for excellent product design, quality, functionality and value.

Founded in 1994 in Shanghai, China, our vision is to create fun, lasting experiences for everyone in the world through the products and services we provide. Since our humble beginnings, we have devoted our efforts to strengthening our research, design, development and manufacturing capacities, while continuously expanding our product and brand portfolio. With headquarters in Shanghai and eleven subsidiaries strategically located across the world, our products can now be found in over 110 countries across six continents worldwide.

We predominantly design, develop, manufacture and sell an extensive range of high quality and innovative outdoor leisure products primarily under our own BESTWAY brand umbrella, in conjunction with a portfolio of sub-brands to market specific product series. We currently offer approximately 1,000 products across our four core product groups, including a comprehensive selection of above-ground pools and portable spas, recreation products, sporting goods, and camping products, designed to cater to a wide range of consumer groups and geographic markets.

The shares of Bestway Global Holding Inc. (the "**Shares**") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (HKSE: 3358) on November 16, 2017.

FINANCIAL HIGHLIGHTS

For the year ended December 31	2018 US$	2017 US$	Change (%)
Operating results			
Revenue from contracts with customers	**865,281,075**	722,546,180	19.8
Gross profit	**230,568,288**	182,775,398	26.1
Operating profit	**64,854,360**	63,958,514	1.4
Profit before income tax	**55,346,897**	60,293,293	(8.2)
Profit for the year	**43,547,833**	47,568,408	(8.5)
Adjusted net profit(4)	**60,699,326**	48,915,670	24.1
Profit attributable to shareholders of the Company	**43,059,483**	47,462,397	(9.3)
Financial position			
Net cash (used in)/generated from operating activities	**(26,862,878)**	12,273,473	(318.9)
Net cash used in investing activities	**(121,140,640)**	(99,399,722)	21.9
Net cash generated from financing activities	**68,652,576**	175,360,200	(60.9)
Net (decrease)/increase in cash and cash equivalents	**(79,350,942)**	88,233,951	(189.9)
Per share data (US cents)			
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)
Other data			
Capital expenditure	**95,575,093**	104,416,610	(8.5)
R&D expenditure(1)	**15,019,149**	13,631,826	10.2
Key ratios			
Gross profit margin	**26.6%**	25.3%	1.3(5)
Operating profit margin	**7.5%**	8.9%	(1.4)(5)
Net profit margin(2)	**5.0%**	6.6%	(1.6)(5)
Adjusted net profit margin	**7.0%**	6.8%	0.2(5)
Return on equity(3)	**10.8%**	15.8%	(5.0)(5)

Notes:

(1) Research and development expenses include relevant staff costs, equipment depreciation expenses and other expenses.

(2) Net profit margin is calculated as profit attributable to owners of the Company as a percentage of revenue.

(3) Return on equity equals profit for the year divided by the average of the beginning and ending total equity for that period and multiplied by 100%.

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

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

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 of directors of the Company (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

Our vision is to create diversified experiences of fun for the people around the world, and we have been promoting such vision worldwide through our products and services since 1994.

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.

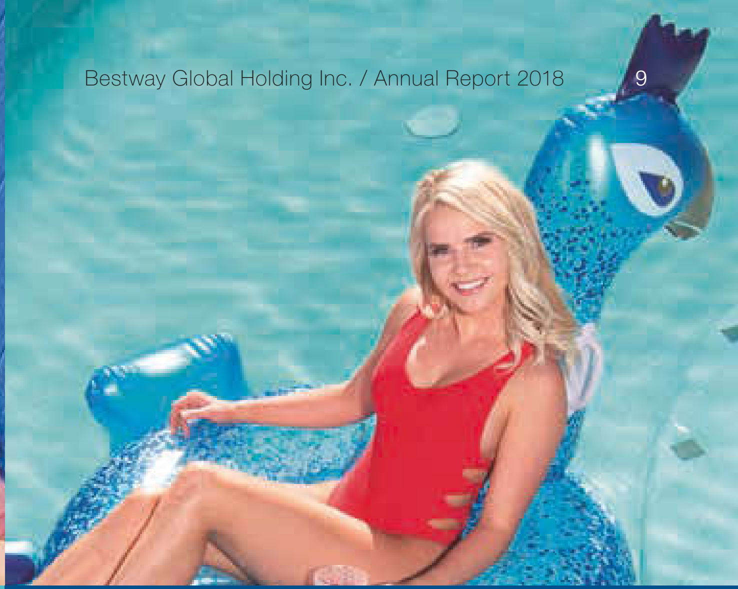
During the year ended December 31, 2018, the Group made continuous investment in product innovation and material R&D, with R&D related costs reaching approximately US$15 million. During the year of 2018, the Group applied for 50 patents worldwide, including invention patents and structural design patents. 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 stand-up paddle boards ("**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

MANAGEMENT DISCUSSION AND ANALYSIS

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,		
			Change
	2018	2017	**(%)**
Key Ratios			
Gross profit margin	**26.6%**	25.3%	1.3[3]
Net profit margin	**5.0%**	6.6%	(1.6)[3]
Gearing ratio[2]	**48.1%**	10.8%	37.3[3]

Notes:

(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.

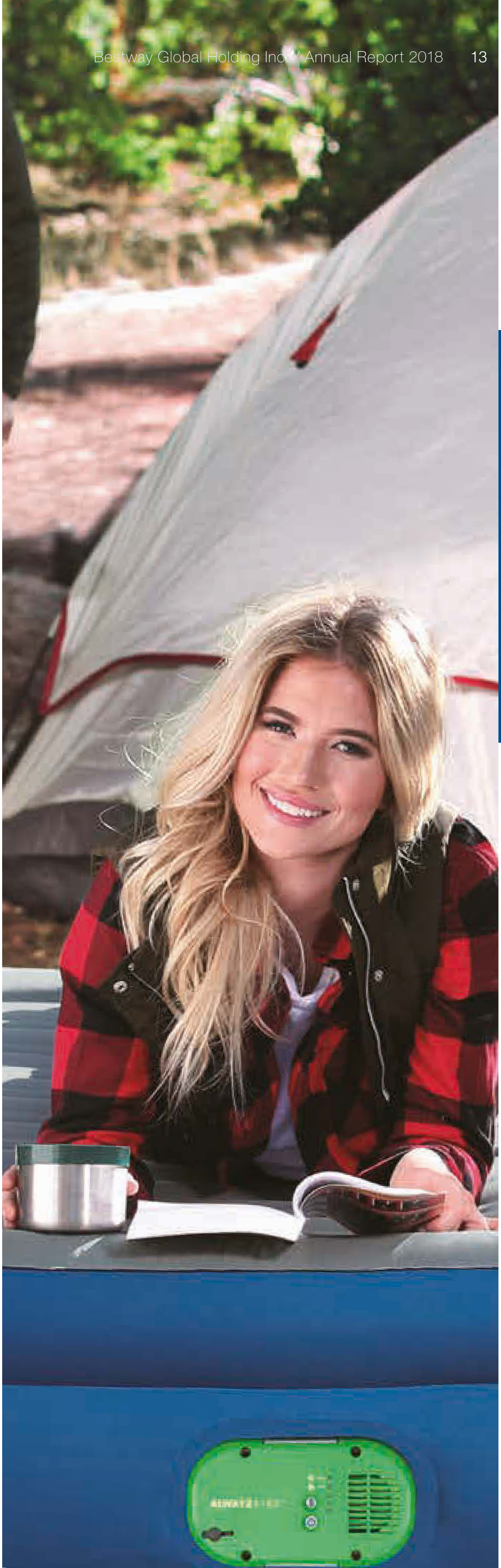
Revenue

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:

Product Group	For the year ended December 31, 2018 US$	%	2017 US$	%	2018 vs. 2017 % 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**	**100.0**	722,546,180	100.0	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 pools 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 US$	%	2017 US$	%	2018 vs. 2017 % 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		% Change	
	For the year ended December 31,					
	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 People's Republic of China ("**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
(Repayments)/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 (used in)/generated 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 equivalents	**(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
Between 1 and 2 years	**–**	–	–
Between 2 and 5 years	**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.

PRODUCTS OVERVIEW

"Bestway's professional team delivers innovative and high quality products to create diversified experiences of fun for everyone in the world."

Over 35%

- We operate in the outdoor leisure product industry with a global market size of US$200 billion
- We account for over 35% market share in the inflatable product segment of the global outdoor leisure product industry

NO. 1

The largest portable spa manufacturer in the world (2018)

110 Countries

- Bestway's products are sold to over 110 countries across 6 continents worldwide
- Among the 50 largest retailers in the world, we have established years of long-term operation with at least 20 of them

20% SALES INCOME INCREASED

In 2018, sales income increased by approximately 20% when compared to the same period in 2017

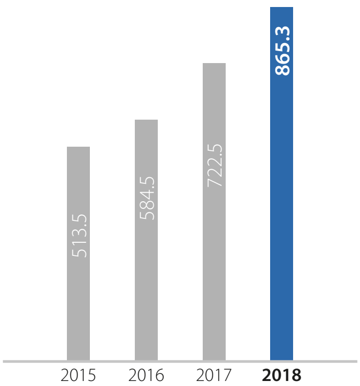
130,348,976 units

Shipment of product amounted to 130,348,976 units in financial year 2018

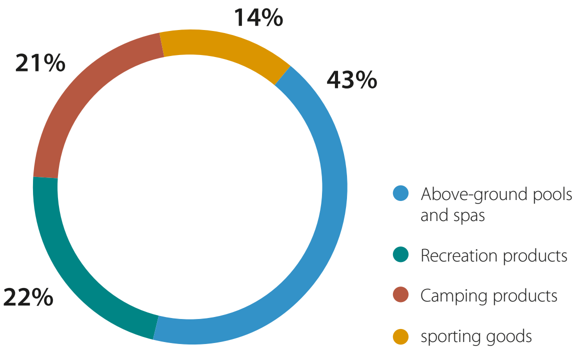
PRODUCTS OVERVIEW

Product Revenue in The Last Four Years

US$ million



Percentage of Revenue form Four Core Products Groups



REVENUE CONTRIBUTION FROM OUR FOUR SIGNATURE NEW PRODUCT GROUPS (SPAS, SUPS, WATER SLIDES AND FLOATING ISLANDS) **ACCOUNTED FOR 20% OF THE GROUP'S REVENUE**

Region Revenue in The World and Percentage Change for The Year

US$ million

Region	Change	Percentage change	2017	2018
Europe	+61.2	17.7%	346.4	407.6
China	+6.5	33.1%	19.7	26.2
North America	+46.8	22.8%	205.4	252.1
Rest of The World	+18.6	17.5%	106.2	124.8
Asia-Pacific	+16.2	25.1%	64.6	80.8
Total	+142.7	19.8%	722.5	865.3

Pools & Spa Products

Above-ground metal pools, above-ground inflatable ring pools, accessories for above-ground pools, portable spas and accessories

Above Ground Oval Pool

Lay-Z-Spa

Above Ground Round Pool

Recreation Products

Inflatable play centers, play pools, pool floats, ride-on pool floats and ball pits

Fashion Float

Play Center

Mega Water Park

Sporting Goods

Rafting tubes and floating islands, inflatable stand-up paddle boards, leisure boats and accessories, water slides, swim gear, swim trainers and snow tubes

Snow Tube

Hydro Force™ Boat

Hydro Force™ SUP

Camping Products

Flocked airbeds, fabric airbeds, air furniture, camping equipment and accessories

Roll & Relax Camping Air Bed

Fortech Air Bed

Airframe™ Tent

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITMENT AND APPROACH

The Group acknowledge the significance of effective environmental, social and governance ("**ESG**") initiatives at operational level. The direction of the Company's ESG practices is governed by the Board, ensuring that the ESG strategy reflects the Company's core values. As such, in addition to enhancing the value and performance of the Company with concerted effort, the Board and senior management also assume the responsibility of assessing and identifying the risks related to the Company's ESG affairs, so as to ensure the appropriate and effective operation of relevant risk management and internal control systems. The Group actively implements the environmental concept of "zero pollution by being friends of the nature" ("0"污染、與自然為友) strengthens environmental protection by reducing pollution of the environment and facilitate development with continuous improvement.

II. REPORTING STANDARD, PERIOD AND SCOPE

This environmental, social and governance report (hereinafter referred to as "**ESG Report**") was prepared in compliance with the "Environmental, Social and Governance Reporting Guide" set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") (the "**ESG Reporting Guide**"). The purpose of this report is to help stakeholders and parties involved in our business to understand the ESG policies, measures and performance of the Company beyond the financial results and business operation aspects.

This ESG Report describes the Company's progress in ESG during the period from January 1, 2018 to December 31, 2018 (the "**Reporting Period**"). The disclosure made in this report covers the Company's principal places of production and business, which are the headquarters in mainland China and four production bases in Shanghai, Nantong, Haian and Yancheng in Jiangsu Province. The Company also has other offices outside of mainland China, but these offices are not included in this ESG Report as the number of employees in these offices accounts for less than 2% of the total number of employees.

The aspects and key performance indicators as defined in the ESG Reporting Guide which are considered to be relevant and significant to the operation of the Group are discussed in four main sections below, namely "Our Environment", "Our Employees", "Our Services" and "Our Community".

III. STAKEHOLDERS AND MATERIALITY ASSESSMENT

The Group strives to accommodate views and interests of stakeholders (including Shareholders, customers, employees, suppliers, regulatory authorities and the public) through constructive communications with them to determine the direction of the Company's long-term development and maintain close relationships with stakeholders. We have arranged for management and staff members from every department of the Company to review our operating conditions at their functional level and identify relevant ESG matters as well as to assess the importance and relevance of such matters to our business.

Through the communication with stakeholders, the Company has identified that environmental issues, including air and greenhouse gas (GHG) emission, use of energy and resources, waste treatment and product safety and quality management are of particular importance. Based on such results, the Company will continuously improve our ESG performance to meet the expectation of stakeholders.

IV. OUR ENVIRONMENT

During the Reporting Period, the Group was mainly involved in direct or indirect gas emissions by consumption of electricity, coal, water, unleaded petrol and diesel in the course of our production, and certain amount of solid wastes generated therefrom.

The Company complies with the requirements of local environmental laws and regulations, including but not limited to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護稅法》), the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》), Air Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》) and Prevention and Control of Environmental Pollution Caused by Solid Waste of the PRC (《中華人民共和國固體廢物污染環境防治法》).

The Group examines discharged sewage and waste gas as required by laws regularly to ensure the emission is in compliance with the standards. Hazardous chemical waste is handled by professional contractor with appropriate qualifications.

In 2018, the Group was awarded the "2017 Leading Suppliers for corporate action on Climate Change in China" by CDP (**Carbon Disclosure Project**) in recognition of our achievement in continuous ESG works.

Aspect A1: Emission

Air and greenhouse gas emission

During 2018 and 2017, the Company's volumes of air emissions by types are shown below:

		2018		2017	
Type	**Source**	**Emission Volume (tonnes)**	**Density(Note1) (kg)**	Emission Volume (tonnes)	Density(Note1) (kg)
Nitrogen oxides (NOx)	• Boiler and Company vehicles	**36**	**0.13**	30	0.13
Sulphur oxides (SOx)	• Boiler and Company vehicles	**5**	**0.02**	4	0.02
Particulate Matters(Note 2) (PM)	• Company vehicles	**<1**	**<0.01**	<1	<0.01

Note 1: Density is calculated as emission volume divided by number of products produced in the year.

Note 2: All the PM emission was the emission generated from consumption of fuel oil when using the Company's vehicles. Certain amounts of dust (i.e. PM) were also produced during the production process but after being filtered by a dust remover, such dust will almost be entirely filtered and not emitted out of the dust remover. As the amount of incidental scatter is unable to be counted, no such figure was shown in the table above.

Both our production process and canteen require the use of boilers. Boilers are run on energy sources including coal, diesel, biofuel, etc that generate certain amounts of pollutant. The emission volume of which depends on factors such as quality of energy, types of boilers used and efficiency of de-dusting devices. The emission volume of this year slightly increased as compared to last year, which was mainly due to the increase in production volume. As such, the density had no significant change.

We select and procure energy supply through bidding, and conducts strict inspection and registration for each batch of energy resources. For instance, regarding coal purchases, while maintaining a certain level of heat value, we prefer coals with low sulphur content to reduce pollutant emissions. As the increase in emission volume was caused by the increase in production volume, the density had no change.

Types of vehicles used by the Company include cars, pick-up trucks, mid-size and heavy cars and forklift trucks. The use of vehicles by the Company, either for administrative purpose or logistics purpose, are centrally coordinated by relevant department. Loading capacity and driving routes are reasonably planned with a view to reduce emissions.

The breakdown of carbon dioxide equivalent ("**CO_2e**") of the Company during 2018 and 2017 by scopes of GHG emission is shown below:

(Unit: tonnes of CO_2e)(Note 2)		**2018**		2017	
Scope of GHG Emission	**Source**	**Emission Volume**	**Density(Note1)**	Emission Volume	Density(Note1)
Scope 1					
Direct emissions	• Consumption of coal • Acetylene • Biofuel • Consumption of unleaded petrol and diesel by self-owned vehicles	**36,463**	**0.13**	30,931	0.13
Scope 2					
Indirect emissions	• Purchased electricity • Purchased steam	**124,808**	**0.46**	100,019	0.42
Scope 3					
Other indirect emissions	• Business flights • Government sewage treatment • Waste paper disposal	**742**	**<0.01**	528	<0.01
Other scope(Note 3)	• Biofuel	**841**	**<0.01**	65	<0.01
Total		**162,854**	**0.60**	131,543	0.55
Removals	• Newly-planted trees for GHG removals	**3**	**N/A**	11	N/A
Total emission after removal:		**162,851**		131,532	

Note 1: Density is calculated as the total emission volume divided by number of products produced in the year.

Note 2: CO_2e (tonne) is a measurement unit with reference to the greenhouse effect caused by one tonne of carbon dioxide to measure and compare the greenhouse effect caused by different GHGs including carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O).

Note 3: According to the internationally accepted Greenhouse Gas Protocol, CO_2 generated from biological sources is not included in scope 1, 2 or 3, but calculated and presented separately from CO_2 generated from mineral sources.

Our direct GHG emissions arise from various sources, of which the emissions from fixed sources such as coals burnt in boilers, diesel, biofuel and septic tanks amounted to approximately 34,947 tonnes of CO_2e in aggregate, and the emission from mobile sources such as consumption of unleaded petrol and diesel by self-owned vehicles amounted to approximately 1,516 tonnes of CO_2e in aggregate. The emission volume during this year is similar to last year.

The GHG emission during the year was mainly indirect emissions generated from purchased energy including electricity and heat energy (steam), and increased by approximately 24,788 tonnes of CO_2e, which was mainly due to the increase in production volume, as compared to last year.

Other indirect GHG emissions amounted to approximately 742 tonnes, including carbon emission from flight due to employees' business trips and discharge treatment, waste paper treatment, etc. conducted by municipal government.

GHG emission in other aspect amounted to 841 tonnes of CO_2e, attributable to direct CO_2e emission due to use of biofuel. As biofuel was not widely adopted in Nantong in 2017, the supply of raw materials from suppliers was not stable. With the big improvement in terms of supply during the year, the emission was significantly different from 2017.

The Company attaches great attention to environmental protection and has adopted electronic office system to reduce paper consumption and unnecessary business trip. During the year, electricity generated by us through solar energy reached approximately 2,099 MWh, reducing indirect carbon emissions by approximately 1,697 tonnes of CO_2e. In addition, we also planted 144 new trees which reduced approximately 3 tonnes of GHG emission in aggregate.

Furthermore, the Company has adopted several energy-saving measures to reduce indirect GHG emission, such as using heat insulating materials for production plants to reduce the use of air conditioner and using air conditioner in strict compliance with the requirement and conditions in respect of use of air conditioner to reduce waste.

Hazardous waste

During the 2018 and 2017, the Company's discharge volume of hazardous waste by types is shown below:

(Unit: kg)	**2018**		2017	
Type of hazardous waste	**Discharge volume**	**Density (Note 1)**	Discharge volume	Density (Note 1)
Waste ink barrels	**52,680**	**0.22**	20,000	0.08
Waste plasticizers	**–**	**–**	280	<0.01
Waste hydrochloride	**–**	**–**	900	<0.01
Waste organic solvents	**–**	**–**	1,240	0.01
Waste activated carbon	**3,000**	**0.01**	–	–

Note 1: Density is calculated as total discharge volume divided by number of products produced in the year.

The waste ink barrels generated during this year increased by approximately 33 tonnes as compared to last year, which was due to the increase in production of paddle boards.

The Company has set up a specific site for collection and reservation of hazardous waste and engaged professional competent contractors for treatment of hazardous waste in accordance with the national requirements. The Company actively implemented good environmental concept in order to strengthen environmental protection by reducing pollution of the environment.

Non-hazardous waste

During 2018 and 2017, the Company's discharge volume of non-hazardous waste by types is shown below:

	2018		2017	
Type of non-hazardous waste	**Discharge volume (tonnes)**	**Density[Note 1] (kg)**	Discharge volume (tonnes)	Density[Note 1] (kg)
Waste wood	**1,241**	**4.60**	892	3.71
Waste papers	**1,559**	**5.78**	806	3.35
Waste pipes	**609**	**2.26**	418	1.74
Waste bulk bags	**253**	**0.94**	203	0.85
Scrap metals	**129**	**0.48**	144	0.60
Others[Note 2]	**426**	**1.58**	636	2.65
Total	**4,217**	**15.63**	3,099	12.90

Note 1: Density is calculated as discharge volume divided by number of products produced in the year.
Note 2: Other non-hazardous waste of 100 tonnes or below.

Non-hazardous waste like waste wood, waste papers and other non-metal materials produced by us amounted to 4,217 tonnes in aggregate during the year.

The Group adheres to the policy of energy conservation and emission reduction of "reducing consumption, reusing, recycling and replacing". The Company adopts waste sorting mechanism where hazard-free household waste is sorted before collected by Environmental Protection Bureau. We reuse the waste as much as we can or send them to recycling units for upcycling. We advocate the use of double-sided photocopying and printing to foster a paperless workplace.

The Company has managed different wastes separately to maximize waste recycling or sell the waste to professional recycling company for treatment. Domestic waste is handled by specific environment and health units. Ordinary industrial solid waste is handled by professional units in accordance with the relevant requirements.

Aspect A2: Use of Energy and Resources

The Company has attached great attention to energy conservation. We comply with the requirements under the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》) and encourage reusing and recycling of used resources in the course of business operation with a view to protecting the environment and enhancing operational efficiency. Energy consumed by the Company is generally electricity, coal, bio-energy, gas, diesel oil, water and papers.

To safeguard effective use of resources and safety in using such resources, the Company has established specific consumption guidelines for some major energy consumption aspects to regulate the consumption of staff including emergency electricity operation procedure, steam control, use of diesel oil and use of air conditioner.

Energy

The annual energy consumption of the Company during 2018 and 2017 is shown below:

		2018		2017	
Type of Energy	**Unit**	**Consumption**	**Density(Note 1)**	Consumption	Density(Note 1)
Electricity	MWh	**156,438**	**0.58**	124,943	0.52
Including:					
External generation	MWh	**154,339**	**0.57**	123,681	0.52
Internal generation(Note 2)	MWh	**2,099**	**0.01**	1,262	0.01
Natural gas	cubic meters	**–**	**–**	87,109	0.36
Steam	tonnes	**29,378**	**0.11**	36,579	0.15
Acetylene	litre	**43,440**	**0.16**	28,520	0.12
Coal	tonnes	**14,292**	**0.05**	13,926	0.06
Diesel oil	tonnes	**544**	**<0.01**	420	<0.01
Gasoline	tonnes	**90**	**<0.01**	87	<0.01
Biofuel	tonnes	**573**	**<0.01**	45	<0.01

Note 1: Density is calculated as consumption divided by number of products produced in the year.

Note 2: Method of internal generation: solar energy.

In addition to the above energy-saving and emission reduction measures, the Company has implemented several energy-saving projects to reduce electricity consumption, including energy-saving renovation, utilisation of new energy, etc.. For instance, oil-fuelled boilers used in the business operation of the Company generated heat to produce steam and hot water, which were collected by an integrated recycling system to provide hot water and heat for production workshops and staff quarters during winter, as a means of energy recycling. At the same time, equipments were subject to regular maintenance and improvement to minimise energy loss.

We did not use natural gas boilers in 2018, and the increase in consumption of other energy was due to the increase in production volume.

Water resources

The Company utilises tap water from municipal net work water supply for both domestic and production purposes and has obtained satisfactory results in regular inspection of water quality each year. Waste water is discharged into the municipal drainage and treated in water treatment plant without direct discharge to water and land. The Company encourages staff members to conserve water and avoid waste. In addition, the Company has implemented a number of water-saving measures, such as water recycling, promotion of water preservation at water sources and regular inspection, and conducts daily analysis in respect to irregularities of water and electricity consumption record.

The annual water consumption of the Company during 2018 and 2017 is shown below:

Year	**2018**	2017
Total water consumption (tonnes)	**789,264**	693,854
Density (tonnes)	**2.93**	2.89

The water consumption during the Reporting Period increased by 14% as compared to the same period in 2017, which was due to the increase in production volume, and there was no significant increase in consumption density.

Packaging materials

The consumption of packaging materials of the Company during 2018 and 2017 is shown below:

(Unit: tonnes)	**2018**		2017	
Type	**Consumption**	**Density (Note 1)**	Consumption	Density (Note 1)
Carton box	**26,000**	**0.10**	20,132	0.02
Plastics	**1,831**	**0.01**	3,716	0.08
Total	**27,831**	**0.10**	23,848	0.10

Note 1: Density is calculated as total consumption divided by production volume in tonnes.

Products of the Company require a substantial amount of packaging materials, including carton box, adhesive label, packaging box, stretch wrap, etc.. The consumption of carton boxes during the year increased by 5,868 tonnes as compared to last year, which was mainly due to the increase in use of carton boxes caused by the increase in production volume. In addition, certain products changed from blister packaging to carton box packaging, which reduced the plastic packaging material and increased the use of carton boxes.

Aspect A3: Environment and Natural Resources

Our corporate values are based on "Happy employees, Happy world and Happy consumers". The Company has established a comprehensive environment management system. We always select and adopt environment-friendly materials, operating structure and principles in aspects of R&D, manufacturing and logistics. We apply a dynamic cycle of PDCA (plan-do-check-act) to improve the results of our environmental efforts continuously.

The Company conducts integrated planning to its production sites to establish reasonable layouts. We also put emphasis on building green areas in the sites, with 144 trees newly planted in 2018. Waste water and gas go through treatment processes by specific equipment and are only discharged after satisfying certain standards. Sound-proofing measures and de-dusting process are taken to insulate noises and dusts. In order to observe our commitments under laws and regulations relating to environment and other requirements, the Company conducts annual inspection and regular assessment to ensure satisfaction of quality and compliance.

The Company pays attention to the production process, practice, application of materials or products, including but not limited to recycling, disposal, modification of procedures, control mechanism, effective use of resources and alternative materials, with an aim to prevent, reduce or control pollution, minimize harmful impacts to the environment as well as to improve general efficiency of the Company.

V. OUR EMPLOYEES

Aspect B1: Employment

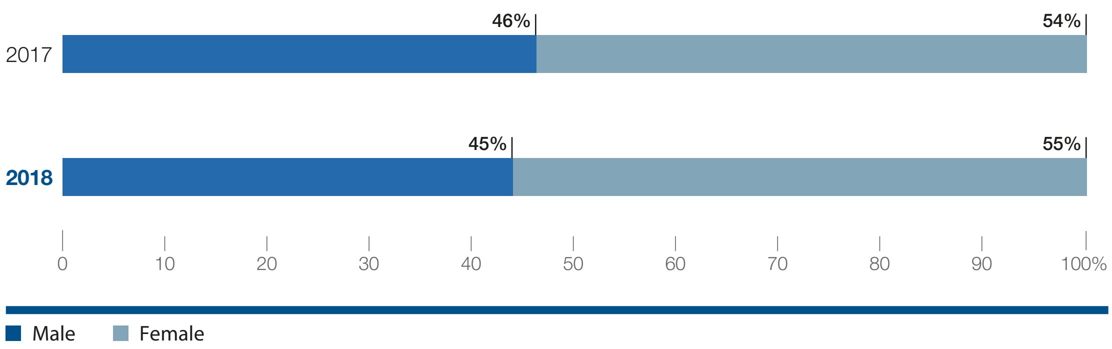
The Company treats employees as important strategic resources for development. During the Reporting Period, the Company was in strict compliance with related requirements of laws and regulations, such as the Labour Law of the PRC (《中華人民共和國勞動法》) and Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), in order to protect the legitimate interests of employees, improve employees' benefits continuously and boost employees' sense of belonging.

Employees of the Company, under the relevant and the corporate system, are entitled to equal opportunities in terms of employment, transfer and salary adjustment, promotion, training and education, regardless of ethnicity, background, origin, nationality, gender and academic qualification. There is zero tolerance for any act of discrimination in the course of business operation as the Company attaches great attention and shows great respect to the above employees' rights. The Group has established relevant human resource policies in respect of employees' salary, termination, recruitment and promotion, working hours and leave application, equal opportunity and other benefits and such guidelines have been expressively communicated to employees.

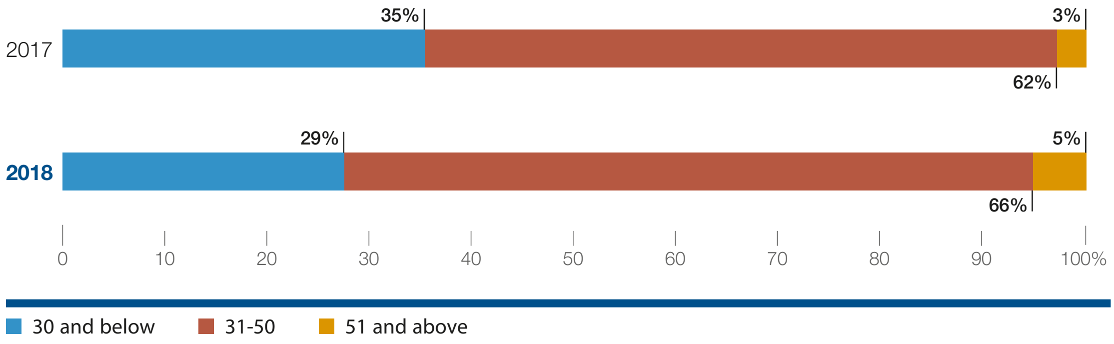
Our labour force

As at December 31, 2018, the Company had a total of 12,767 employees in China. A breakdown of employees by gender and age is set out as follows:

Breakdown of Employees by Gender



Breakdown of Employees by Age

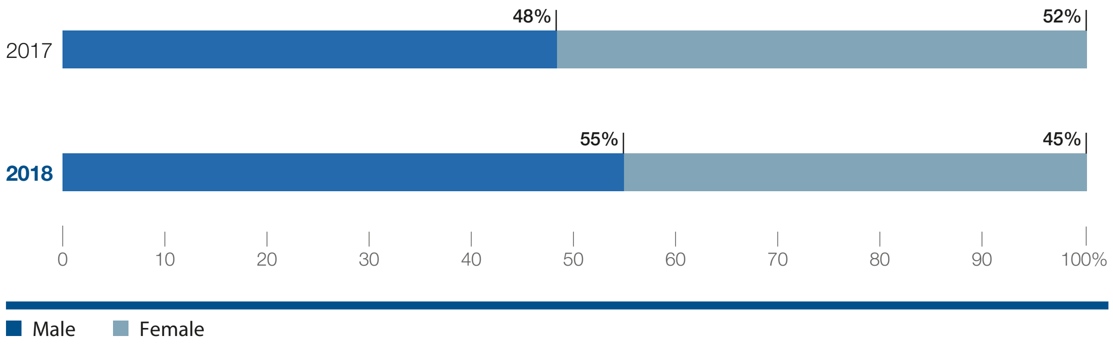


Employees Turnover

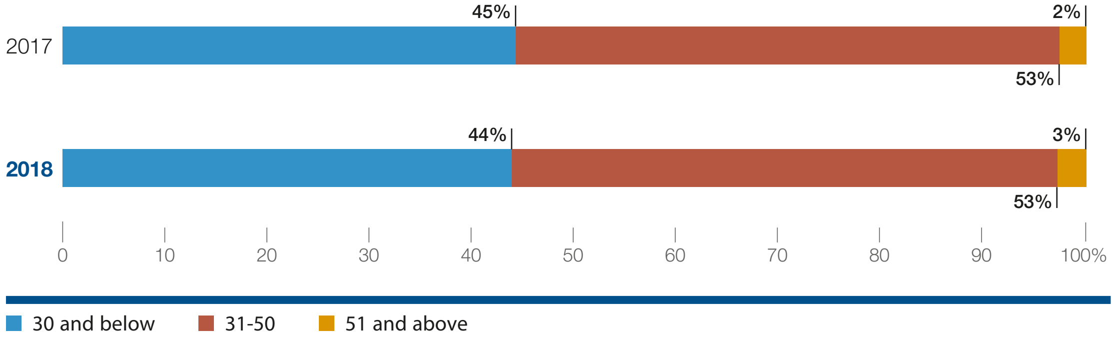
The Company has in place clear procedures regarding resignation, dismissal or retirement of employees, underlining regulations on disputes, compensation and other matters relating to dismissal of employees and safeguarding legitimate interests of our staff members.

A breakdown of employee turnover by gender and age is set out as follows:

Percentage of turnover by gender:



Percentage of turnover by age:



We aim to foster an amicable and motivating environment to enhance our employees' incentives and loyalty to us. In recruitment and selection of employees, the Company adheres to the equal opportunity policy. We offer competitive remuneration package, including wages, bonus, fringe benefits and various allowances, to our employees. Apart from that, we maintain pension contribution scheme, medical insurance, work-related injury insurance, unemployment insurance, housing provident fund and maternity insurance for our Chinese employees and provide pension benefit and insurance coverage for most employees of our overseas operation. In addition, we also provide post-retirement benefits for retirees, conditional upon years of services and position in the Group.

The Company implements an 8-hour working system and makes reasonable rest days arrangement based on the production seasonality of the Company. Employees are entitled to statutory national holidays, annual leave and marriage holiday, bereavement leave, maternity leave and nursing leave, during which employees are entitled to full wages. The Company strictly complies with relevant requirements of the Labour Law to safeguard the leave and holiday entitlement of its employees.

During the Reporting Period, the Company did not have any material non-compliance incident relating to labour practice.

Aspect B2: Health and Safety

The Company strives to provide and maintain a safe and healthy workplace for all our employees and attaches great importance to safeguarding employees' rights, and ensuring staff safety and health at workplace. We also highly value trainings on occupational skills and safety matters. We make best efforts to protect our employees from work-related accidents or occupational hazards and commit to adhere strictly to regulations on occupational health and safety, such as the Production Safety Law of the PRC (《中華人民共和國安全生產法》).

The Company has posted signs about work-safety system, danger warning labels and Chinese alert descriptions at noticeable places in the production workshops. The Company also provides equipments which meet safety requirements and standards, and requires proper execution of daily protection and maintenance. The Company engages professional qualified firms to check factors related to occupational deceases at workplace periodically every year, and has recorded satisfying results. For workplaces and jobs exposed to risks of occupational diseases, necessary safety protection facilities, such as ventilation devices and flameproof electrical devices, and protective gears, such as gas mask, mouth-piece, face-piece and safety goggles, are required. For newly-employed/re-designated staff members, pre-service trainings and health checks are organized; for current staff members, occupational health trainings and health checks are conducted regularly. Moreover, on-site management conducts daily patrols and inspections, whereas the administrative department ensures onsite supervision at least once a week. The Company also conducts sample checks from time to time. Our aim is to monitor and administer work-related hazardous factors comprehensively, prevent the occurrence of occupational deceases effectively and protect physical and mental health of our employees.

During the Reporting Period, the Company did not have any material non-compliance incident relating to laws and regulations on health and safety.

Aspect B3: Development and Training

The Company has always considered employees as its valuable assets. Continuing improvement of occupational knowledge and skills of our staff is essential to our Company's business development. The Company has formulated relevant staff development and training policies and systems and has established sustainable employee training mechanism, providing continuous advancement and training programs for employees to improve their skills and develop their potentials, as well as to enhance their work safety awareness. We also adopt assessment schemes to enable our employees to obtain feedbacks about their performance.

The Company principally organizes diversified training courses during non-peak seasons. In 2018, we organized training courses covering the topics of safe production, quality management, finance management, operating management, marketing strategies, etc., offering corresponding trainings to employees of different functions and enhancing their professional knowledge, industry trends, skills and techniques required for their respective positions, as well as increasing our staff's awareness of safe production. Such courses also help to enhance quality of end results of each assignment, thereby improving working efficiency.

Aspect B4: Labour Standards

The Company pays great attention to and strictly complies with all applicable national laws and local regulations where our business operation is conducted. The Company has established clear management procedures to prevent child labour and forced labour to put in place an effective control over non-recruitment of child labour and support thereof, prevention of exploitation or forced labour, thereby ensuring that employees take part in work or labour on a voluntary basis.

The Company considers child labour and forced labour intolerable and it shall be eliminated. The Company has set up strict recruitment processes to conduct intensive examination of identity documents, such as ID card, and sign labour contract and create personal file in a fair and voluntary manner in accordance with legal requirements.

In accordance with the standard working hours stipulated by the national laws where our business operation is conducted, the Company makes reasonable arrangement of working hours for our employees. Leaves and benefits, such as paid leave and sick leave, are provided in accordance with the Labour Law. Subject to production requirements, our production bases arrange overtime work on a voluntary basis and it requires negotiation with employee representatives and employees and approval from local labour department and shall not exceed the statutory working hours. Production bases and sales division of the Company in the PRC and overseas prohibit and disapprove any forced labour or contractual servitude, corporal punishment, confinement, violent threat, and forbid employees from receiving any forms of illegal payment, withholding identity document and battering employees.

During the Reporting Period, the Company did not have any material non-compliance incident relating to the labour standards under relevant laws and regulations.

VI. OUR BUSINESS

The Company is a conglomerate with businesses covering research and development, design, development, manufacturing and sales of products, and mainly manufactures polymer films and all kinds of water and outdoor leisure products that were produced based on such raw material.

Aspect B5: Supply Chain Management

During the Reporting Period, there were 379 suppliers who have stable business relationship with the Company, 365 of whom were located in Mainland China, 6 from Hong Kong, 4 from South Korea, 1 from Singapore, 1 from Japan and 2 from the US.

The Company considers the supply chain as an integral operation rather than separate functional modules comprising procurement, production and sales. We believe that with the establishment of various information communication channels between parties involved in supply chain operations for further information exchange and sharing, the parties involved in supply chain will be able to capitalize on the cost advantage with higher market share by persistent implementation of strategic policy of the whole supply chain with a view to maximizing the supply-chain value in a win-win situation for all parties.

Selecting suppliers is one of the most important parts for the risk management of supply chain. On one hand, we make use of our competitive edge by fully capitalizing on the synergies among us and the suppliers. On the other hand, we take into account the cooperation cost and flexibility of the suppliers. We adopted a specific and systematic method to manage the relationship with suppliers, including but not limited to: strict implementation of selection criteria of suppliers, entering into contract with suppliers, continuous monitoring and assessment, supervising the compliance with related human right requirements on the working environment of suppliers. We used ERP system to undertake central management of core supply-chain operation by monitoring the global supply chain on a real time basis. We are also constantly strengthening and upgrading our real-time supply chain management systems to optimize new product planning and management.

Additionally, the Company also set up emergency mechanism for procurement management of raw materials. For instance, we look for various sources of supply for each type of raw materials without reliance on single supplier to reduce risk related to procurement.

Aspect B6: Product Liability

Our vision is to "create fun, lasting experiences for everyone in the world through the products and services we provide". We devote efforts to provide top-notch, safe and high-quality products within the industry.

We ensure all products and services that we offer comply with laws and regulations related to product quality and liability, which include but not limited to provisions in relation to consumer protection under the Product Quality Law of the PRC (《中華人民共和國產品質量法》), General Rules of the Civil Law of the PRC (《中華人民共和國民法總則》) and Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》).

In addition, we also abide by laws and regulations related to intellectual property, trademark, advertising, labelling and privacy that are significant to us, and make all efforts to avoid any false or misleading information in our advertisements and during communication with consumers. If any health, safety and label problems relating to our products are found, we will immediately make notifications to terminate or suspend sales/wholesaling of such products.

Product Safety and Quality Management

The Company is an enterprise operated globally with products being marketed and sold across the world. Compliance with safety standards and quality requirements of various countries and regions is required for the products we sell. The Company has attached great attention to global safety standards. Our global compliance teams continuously monitor safety rules across the world, and report weekly to our headquarter and communicate promptly with R&D teams to make necessary adjustments to specifications of relevant products. At the same time, our central laboratory in our base in Shanghai conducts thorough tests and assessments on our products to ensure that they conform with the relevant standards.

In addition, the Company has established a professional quality control team. Such team is responsible for ensuring continuous operation of the Company's product quality assurance system covering different stages, from the early stage of product development all the way through the end of the product cycle; and also for exerting quality control over product design, development and production, after-sales and other phases. This comprehensive system enables us to identify and rectify potential quality issues during the early stages of product development, and to ensure compliance of all products manufactured with relevant quality standards.

Furthermore, each production facility in the production base has a quality control team, and each product category is assigned with a professional team to ensure product quality in the production process. The quality supervision personnel of each production facility are responsible for ensuring that the products meet the quality specification and parameter determined by the product development team for each product category. Our product facilities have obtained various international quality management certifications including ISO9001.

After-sales Management of Product

As a part of our commitment to providing an excellent consumers' experience, the Company places a strong emphasis on the aftersales services to end-consumers. Our warranty policy, service and repair information of product are set out in our official website.

As of December 31, 2018, the Company has set up 43 customer service centres across the world, 7 of which are operated by third-party professional organisations, so as to provide better after-sales services to consumers in the world and handle their complaints and feedback in a timely manner. In addition, we selectively engage third-party regional relationship managers to operate some of our customer service centres. The headquarters-based customer service department monitors the global after-sales function through an information system, while overseas subsidiaries are responsible for daily operations of customer service centre in their respective region and nearby areas.

To provide sufficient protection of consumer's rights, the Company purchases product liability insurance from related commercial insurance institutions, which covers potential injury, death or property loss caused by our products exported from the PRC.

Handling of Complaints on Products and Services

The Company places great emphasis on customer complaints and has a global aftersales services information system in place to gather and analyze customer feedbacks and complaints so as to understand the users' experiences. We work closely with our regional relationship managers and retailers customers on product returns and consumer feedbacks. Feedbacks from end-consumers are processed by our customer service centers while complaints from our customers are processed by our headquarters-based sales operations team. We take complaints seriously and investigate the underlying causes of each complaint, and maintain a 24-hour consumer service hotline to ensure that consumer complaints are handled promptly.

The Company collects product information from relevant consumers and traces the source of any defects through the aftersales service system, and uses this information to adjust and enhance our production and quality control processes to avoid similar quality issues from recurring. This information relating to our product quality or users experiences is sent to the quality assurance team, which in turn identifies the issues and sends this information to the research and development team and/or the responsible product group engineers. This information assists our product group engineers and our research and development team in formulating preventive measures or new designs to prevent similar problems. During the Reporting Period, we did not receive any material complaint on our services, and did not encounter any recall of products sold or delivered due to safety and health reasons.

Safeguarding Customer Information

The Company has a high regard for information security of consumers. We translate the Chinese Privacy Policy and Service Terms of the Company into all European languages including Russian and make them available on the Company's website for global consumers to understand our policy.

The Company has established corresponding security procedures and measures to safeguard the consumer information by protecting the Company's servers and networks for personal information storage. In compliance with and execution of relevant national and regional laws and regulations relating to personal information security and privacy, we use relevant information with the service of statutory obligation. The Company promises not to sell, lease or share with any third parties any personal information of consumers without the consents of consumers.

Protection of Intellectual Properties

The Company gives priority to protection of intellectual properties by protecting its own intellectual properties and respecting third-parties' intellectual properties. As of December 31, 2018, the Company had 161 patents across the world, 159 pending patent applications domestically and internationally and 112 new patent applications.

The Company has established clear management approach and objectives for intellectual properties and put in place management measures for intellectual properties as in "implementation through leadership, mechanism, system, workforce and operation expenditure". The Company has set up intellectual property management system, which has passed the examination of the national standard GB/T29490-2013 "Enterprise Intellectual Property Management" (《企業知識產權管理規範》). It regulates the resource management of intellectual properties and expressly stipulates the requirements of intellectual property management in respect of important processes, such as research and development activity, raw material procurement, production, sales, foreign trade, etc. It guarantees the control over the intellectual property management activity during each important process of production and operation and prevents loss of our intellectual property rights or infringement of third-parties' intellectual properties, including but not limited to trademark, patent, copyright, trade secret, industrial design, commercial feature, product information, product sample, photo and video, etc.

During the Reporting Period, all products offered by the Company complied with safety requirements stipulated by international and regional laws and regulations and it was not aware of any material incompliance with relevant laws and regulations in respect of product and service health, safety, label and privacy issues in any nation or region where we have business operation.

Aspect B7: Anti-corruption

The Company endeavours to comply with international and domestic laws and regulations in relation to the prevention of bribery, extortion, fraud and money laundering, including but not limited to "The United Nations Convention against Corruption" and "Anti-Money Laundering Law of the PRC" (《中華人民共和國反洗錢法》).

Through identifying source of corruption risks during business operation, the Company has established a risk alert mechanism to strengthen check and balance mechanism of power and internal control mechanism. The Company has developed internal regulations in respect of anti-corruption and anti-fraud, including third-party payment management requirement, anti-money laundering management requirement, requirement on procurement representative to enter into an integrity code, whistle-blowing management system, compliance policy and implementation details of customer-distributor management, etc.

As a regular department responsible for eliminating fraudulent activities, the Company's audit department has set up and disclosed a whistle-blowing hotline and e-mail address to receive and investigate reports of misconduct and dishonesty. For instance, suspected cases of corruption, malpractice and fraud violating the national laws shall be referred to the department of justice for follow-up.

During the Reporting Period, there was no corruption litigation case initiated and concluded against the issuer or its employees.

VII. OUR COMMUNITY

Aspect B8: Social Investment

The Company is committed to the public welfare and creating work opportunities for of local community, and encourages its employees to participate in various internal and external community activities. During the Reporting Period, the Company made multiple donations through charity foundation, improved the ecological environment of the places where we operate, and actively participated in charity events in the communities of the cites where our operation and projects are located in.

- In January, April and September 2018, we donated a total of RMB247,000 to Shanghai Charity Foundation, China Children and Teenagers' Fund, the Charity Foundation of Rugao, Yang County in Shaanxi Province and Xujiaping Town in Lueyang County, Shaanxi Province, which were mainly used to support the local community aid fund and offer help to underprivileged people.

- During the year, we organized our employees to participate in blood donation in the blood station in Jiading District, Shanghai. A total of 49 warm-hearted employees participated in the blood donation.

In summary, the Company carried out a series of activities for environmental protection and community care during the year, and we will further increase our efforts in environmental protection and continue to discharge our corporate responsibility in environmental and social aspects.

INVESTORS RELATIONS

SHAREHOLDER VALUE AND DIVIDEND PAYMENTS

The Group aims to build long-term relationships with our Shareholders and investors. The Group communicate with both institutional and retail investors on a regular basis to keep them informed of the Group's business strategies, operations and outlook. The Group is committed to creating long-term and sustainable value for Shareholders. The Group maintained a sound record of dividend payments for the past two financial years. The Group's dividend payout ratio is linked to its operating profit result, financial position and future investment opportunities. The dividend distributed for the financial year 2017 amounted to US$14,288,279 and the dividend payout ratio was 30%. The dividend proposed to be distributed for the financial year 2018 amounted to US$13,018,209 and the dividend payout ratio was 30%.

INDEX AND INVESTOR RELATION RECOGNITION

In the first year after the listing, the Group was added to the MSCI China Small Cap Index, illustrating the affirmation and recognition of the Company's investment value in the international capital market. In addition, Mr. Zhu Qiang, the Chairman of the Group, executive Director and chief executive officer, received the Best Investor Relations (Chairman) Award for Hong Kong listed small cap from HKIRA.

INVESTOR COMMUNICATIONS

The Group make every effort to maintain an open communication with Shareholders and potential investors. The Group listen carefully to all views expressed and keep Shareholders and potential investors fully informed of the Group's latest developments through different channels. The channels we use to communicate with stakeholders include:

- Analyst briefings on the Group's interim and annual results, including a webcast and presentation materials posted on the Group's website

- Investor conferences and post-results roadshows

- Meetings and conference calls

- Site visits to the Group's manufacturing facilities in mainland China

- An 'Investors' section on the Group's website, making all relevant key information easily accessible by investors

- A designated email for investors that makes communication easier

INVESTOR DAYS AND MAJOR INVESTOR CONFERENCES WE PARTICIPATED IN

Event	Date
Morgan Stanley Asia Pacific Summit	November 27 – November 29, 2018 (Singapore)
9th Credit Suisse China Investment Conference	November 5 – November 7, 2018 (Shenzhen)
Nomura Securities Newly Listed Corporate Day (野村證券新上市企業日)	October 30, 2018 (Hong Kong)
Cinda International Corporate Day (信達國際企業日)	October 10, 2018 (Hong Kong)
Credit Suisse Hong Kong/China Consumer Corporate Day	June 20, 2018 (Hong Kong)
Daiwa Pan Asia Small and Medium-sized Corporate Day (大和泛亞中小型股企業日)	June 11 – June 12, 2018 (Hong Kong)
Morgan Stanley 4th Annual China Summit	May 30 – June 1, 2018 (Beijing)
Shenwan Hongyuan 2018 (Hangzhou) Meeting for Listing Companies (申萬宏源2018 (杭州) 上市公司見面會)	May 9 – May 11, 2018 (Hangzhou)
Industrial Securities – Spring Meeting for Overseas Investment Strategy 2018 (興業證券2018年春季海外投資策略會)	April 18 – April 19, 2018 (Shenzhen)

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board has committed to achieving good corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of the Shareholders and to enhance corporate value and accountability.

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

The Board is of the view that the Company has complied with all the code provisions as set out in the CG Code throughout the year ended December 31, 2018 (the "**Reporting Year**"), save for code provision A.2.1, details of which are explained in the section headed "Chairman and Chief Executive Officer" in this report.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 (the "**Directors**") and the relevant employees who likely possess inside information of the Company.

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

BOARD OF DIRECTORS

The Board of the Company comprises the following Directors:

Executive Directors:

Mr. Zhu Qiang (Chairman and chief executive officer)
Mr. Liu Feng
Mr. Tan Guozheng
Mr. Duan Kaifeng

Independent Non-executive Directors:

Mr. Dai Guoqiang
Mr. Lam Yiu Kin
Mr. Yao Zhixian

The biographical information of the Directors and the relationship between the members of the Board are set out in the section headed "Biographies of Directors and Senior Management" on pages 77 to 84 of this annual report.

Insurance for Directors

Code provision A.1.8 stipulates that an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Company has arranged for appropriate insurance cover to protect Directors from possible legal action against them.

Chairman and Chief Executive Officer

The Company has appointed Mr. Zhu Qiang as the chairman and chief executive officer, who is primarily responsible for formulating overall development planning and strategic management, overseeing global management of the BESTWAY brand, making major business decisions and formulating overall operation management of the Group. The Board believes that vesting the roles of the chairman and chief executive officer in the same individual would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors and independent non-executive Directors.

Independent Non-executive Directors

During the Reporting Year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing at least one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Directors is engaged on a service agreement (for executive Director) or an appointment letter (for independent non-executive Director) for a term of three years, subject to renewal after the expiry of the current term.

In accordance with the articles of association of the Company (the "**Articles**"), one third of the Directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not less than one third shall retire from office by rotation at every annual general meeting of the Company provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and any Director appointed by the Board or elected by the Shareholders to fill a casual vacancy or as an addition to the Board shall hold office until the next following general meeting of the Company after his/her appointment and be subject to re-election at such meeting.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the businesses, strategic decisions and performance of the Group and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board should take decisions objectively in the interests of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate.

During the Reporting Year, the Directors participated in the following trainings:-

Directors	Type of Training[Note]
Executive Directors	
Mr. Zhu Qiang	B
Mr. Liu Feng	B
Mr. Tan Guozheng	B
Mr. Duan Kaifeng	B
Independent Non-executive Directors	
Mr. Dai Guoqiang	A, B
Mr. Lam Yiu Kin	A, B
Mr. Yao Zhixian	B

Note:
Types of Training
A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops
B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Management Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the website of the Company and of the Stock Exchange and are available to Shareholders upon request.

The majority of the members of each Board committee (except the Risk Management Committee) are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 178 of this annual report.

Audit Committee

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting system, internal control procedures and risk management system, relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held three meetings during the Reporting Year and the following matters have been discussed and considered:

(a) reviewed the annual report of the Company for the year ended December 31, 2017 and the interim report of the Company for the six months ended June 30, 2018;

(b) discussed with the external auditor of the Company on the independent auditor's report;

(c) reviewed the Company's internal control system and risk management system and discussed with the management on the effectiveness of these systems; and

(d) recommended to the Board for the proposal for re-appointment of the external auditor of the Company.

The attendance records of the members of the Audit Committee are as follows:

Name of Members of the Audit Committee	Attendance
Mr. Lam Yiu Kin	3/3
Mr. Dai Guoqiang	3/3
Mr. Yao Zhixian	2/3

Remuneration Committee

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

The Remuneration Committee held one meeting during the Reporting Year for considering and recommending to the Board the remuneration and other benefits paid by the Company to the Directors and senior management and other related matters. All members of the Remuneration Committee attended the meeting.

Nomination Committee

The principal duties of the Nomination Committee include reviewing the Board's composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning for Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board's composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee shall monitor the implementation of the Board Diversity Policy and review the progress of its measurable objectives from time to time.

Based on the business needs of the Group, the Nomination Committee has recommended and the Board has adopted the following measurable objectives:

(1) a prescribed proportion of Board members shall be independent non-executive Directors; and

(2) a prescribed proportion of Board members shall have obtained accounting or other professional qualifications.

The Nomination Committee held one meeting during the Reporting Year to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and make recommendation to the Board on the re-election of the retiring Directors. All members of the Nomination Committee attended the meeting.

Board Diversity Policy

The Board has adopted a board diversity policy ("**Board Diversity Policy**") on October 18, 2017 to achieve and maintain diversity within the Board in order to strengthen the performance of the Board, promote effective decision-making and better corporate governance and monitoring. The particulars of Board Diversity Policy are set out as follows:

(1) when assessing diversity within the Board, certain factors will be considered, including but not limited to skills, experience, cultural and educational background, geographical, industry and professional experience, ethnicity, gender, age, knowledge and length of service;

(2) the Nomination Committee will discuss and agree on the measurable objectives for achieving diversity within the Board and recommend them to the Board for adoption;

(3) the Nomination Committee will monitor the implementation of the Board Diversity Policy and report to the Board on the progress of the measurable objectives under the Board Diversity Policy and whether or not such objectives have been achieved;

(4) the Nomination Committee will review the Board Diversity Policy as appropriate, to ensure the effectiveness of the Board Diversity Policy; and

(5) the Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for approval.

Director Nomination Procedure

The Board has adopted a formal nomination procedure for selection, appointment and re-appointment of Directors ("**Nomination Procedure**") on March 19, 2018 to ensure changes to the Board's composition can be managed without undue disruption. The particulars of Nomination Procedure are set out as follows:

(1) the Nomination Committee shall take into account the following factors when considering the nomination or re-appointment of a candidate:

  (a) the candidate's age, skills, knowledge, experience, expertise, professional qualifications, academic qualifications, background and other personal qualities;

  (b) the candidate's impact on the composition of the Board and the diversity within Board members;

  (c) commitment of the candidate to devote sufficient time to effectively discharge his/her duties. In this regard, the number and nature of offices held by the candidate in public companies or organizations, and other executive appointments or significant commitments will be considered;

  (d) any potential or actual conflicts of interest that may arise if the candidate is selected;

  (e) the candidate's independence;

(f) in the case of a proposed re-appointment of an independent non-executive Director, the number of years he or she has already served; and

(g) any other considerations as the Nomination Committee considers appropriate;

(2) the Nomination Committee will select the candidates through consideration of age, skills, knowledge, experience, expertise, professional qualifications, academic qualifications, background and other personal qualities of candidates. The Nomination Committee may use any process as appropriate to evaluate candidates, which may include personal interviews, background checks, statements or written references provided by candidates and third parties;

(3) the Nomination Committee shall provide the candidates' information, including the details required under Rule 13.51(2) of the Listing Rules, to the Board and make proposal about, including but not limited to, the terms and conditions of the appointment. The Board shall review and decide on the appointment in accordance with the recommendations of the Nomination Committee;

(4) all Director appointments shall be confirmed by letters of appointment or service contracts which should set out the main terms and conditions of the appointments and shall be approved by the Nomination Committee; and

(5) the Company shall also disclose the details required under Rule 13.51(2) of the Listing Rules of any Directors proposed to be re-appointed or any proposed new Director in the notice or accompanying circular to the Shareholders of the relevant general meeting, if such re-appointment or appointment is subject to Shareholders' approval at that relevant general meeting.

Risk Management Committee

The primary functions of the Risk Management Committee include overseeing the risk management and internal control systems so as to enhance the Company's risk management ability and improve corporate governance of the Company, as well as to monitor the latest sanctions-related risks the Group's operations may be exposed to.

The Risk Management Committee held two meetings during the Reporting Year for reviewing and assessing the effectiveness of the financial reporting system, risk management and internal control systems of the Company and reviewing the use of proceeds from initial public offering.

The attendance records of the members of the Risk Management Committee are as follows:

Name of Members of the Risk Management Committee	Attendance
Mr. Zhu Qiang	2/2
Mr. Tan Guozheng	2/2
Mr. Liu Feng*	0/2

Note:

Mr. Liu Feng was appointed as a member of Risk Management Committee on September 14, 2018. Please refer to the announcement of the Company dated September 14, 2018 for further details.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the Reporting Year, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of its Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code by the Directors and relevant employees, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Dividend Policy

The Board has adopted a dividend policy ("**Dividend Policy**") on November 21, 2018, setting out the principles and guidelines the Company intends to apply in relation to the declaration, payment or distribution of its net profits to the Shareholders as dividends. The principles and guidelines of Dividend Policy are set out as follows:

(1) in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value;

(2) the Company intends to pay dividends from time to time in an aggregate amount no less than 30% of distributable profits attributable to the owners of the Company, subject to the conditions and factors as set out below;

(3) the Board has the absolute discretion to declare and distribute dividends aforementioned to the Shareholders, subject to the Articles and all applicable laws and regulations and the factors set out below;

(4) the Board shall also take into account the results of operation of the Company and its subsidiaries, the total equity, business conditions, strategies or needs for future expansions, capital needs and expenditure plan, dividend paid to the Company by its subsidiaries, impact of the dividend distribution on the working capital and financial position, cash flow status, future operations and revenue of the Group, and other factors as the Directors may deem relevant at such time when considering the declaration and payment of dividends.

(5) the laws of PRC and the financial reporting standards of the PRC which are applicable to the Company's subsidiaries as these would restrict the subsidiaries to make dividend payment to the Company;

(6) depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, the following dividends may be proposed and/or declared by the Board for a financial year or period:

  (a) interim dividend;

  (b) final dividend;

  (c) special dividend; and

  (d) any distribution of net profits that the Board may deem appropriate;

(7) any final dividend for a financial year will be subject to Shareholders' approval;

(8) the Company may declare and pay dividends by way of cash or scrip shares or by other means that the Board considers appropriate; and

(9) any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Articles and applicable laws.

ATTENDANCE RECORD OF BOARD MEETINGS

Code provision A.1.1 of the CG Code requires that at least four regular Board meetings should be held each year at approximately quarterly intervals, with active participation of a majority of directors, either in person or through other electronic means of communication.

Notice of at least 14 days will be given to all Directors for all regular Board meetings and a formal agenda was addressed to the Directors together with the notice. All Directors were provided with adequate information which enabled them to make informed decisions on the matters discussed and considered at the Board meetings. The Directors can obtain independent professional advice at the Company's expense when required.

The attendance records of each Director at the Board meetings and the general meeting of the Company held during the Reporting Year are set out in the table below:

Directors	Attended/Eligible to attend the Board meeting(s)	Attended/Eligible to attend the general meeting(s)
Mr. Zhu Qiang	4/4	1/1
Mr. Liu Feng	4/4	1/1
Mr. Tan Guozheng	4/4	1/1
Mr. Duan Kaifeng	4/4	1/1
Mr. Dai Guoqiang	4/4	1/1
Mr. Lam Yiu Kin	4/4	1/1
Mr. Yao Zhixian	4/4	1/1

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Year.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 85 to 90 of this annual report.

AUDITORS' REMUNERATION

An analysis of the remuneration paid to the external auditors of the Company, PricewaterhouseCoopers, in respect of audit services and non-audit services for the year ended December 31, 2018 is set out below:

Service Category	Fees Paid/Payable US$
Audit Services	582,203
Non-audit Services[(1)]	25,865
Total	608,068

Note:

(1) tax advisory and other tax-related services

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has committed to ensure the establishment and operation of an appropriate and effective risk management and internal control systems of the Company. The Board has continuously overseen the management in the design, implementation and monitoring of the risk management and internal control systems of the Company.

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. The systems are designed to manage rather than eliminate the risk of failing in achieving our business objectives, and can only provide a reasonable and not absolute assurance against material misstatement or loss.

The Company has established an organizational structure with clear division of duties and positions as well as reporting procedures. The Risk Management Committee, Audit Committee and legal and compliance department work closely with our internal audit department to assist the Board in continuous review of the effectiveness of the Company's risk management and internal control systems.

During the Reporting Year, the management conducted an internal assessment and consolidation of relevant risks faced by the Company. There is no material change in the aspect, nature and extent of the risks faced by the Company and the Company is confident of its capability to handle such risks and relevant measures have been established.

The Company has set up the internal audit function department with appropriate workforce to complement the management in the continuous enhancement of internal control efforts.

Risk management of the Company is conducted based on the foundation of the Company's internal control systems. It involves the participation of the Board, operating management and relevant staff members of the Company and is adopted in various stages and functions throughout our internal operation. It is used for identifying matters that may have potential impacts on the Company and aims to manage risks within the risk profile of the Company and provide reasonable assurance for realization of its operating objectives.

Objectives of the risk management and internal control implemented by the Company include:

(1) identifying matters that may have potential impacts on the Company;

(2) formulating appropriate control measures for risk management within our risk profile; and

(3) providing reasonable assurance for the Board and the management in achieving its operating objectives.

Procedures used by the Company for identification, assessment and management of significant risks, as well as review of the effectiveness of the risk management and internal control systems include:

(1) reviewing systems and documentation and conducting interviews with management and key business officers of the Company to identify key risks;

(2) identifying, consolidating and analyzing existing and potential risks;

(3) evaluating and formulating tackling measures in response to identified risks;

(4) implementing testing procedures to confirm the existence of key controls and effectiveness of control in the course of operations;

(5) identifying possible defects in respects of control designs and exercise of control in the course of key operations; and

(6) confirming relevant issues and arriving at a modification plan in response to the internal control defects, and following up the implementation.

During the Reporting Year, in addition to the regular audit work performed by auditors of the Company, the Board engaged an external consulting agency to conduct an assessment on the internal control systems including financial control, production operation, compliance control and risk management of the Company and its subsidiaries. No material issue or flaw was found in the internal control of the Company. Suggestions for improvement made by the consulting agency were implemented and followed up by the management.

As of December 31, 2018, the Company did not experience any material control oversight or deficiency. The Company's procedures in respect of financial reporting and compliance with the requirements of the Listing Rules remain effective.

The Board is of the opinion that the current internal control systems of the Company are effective and there are sufficient resources in terms of qualification and experience, training received by employees and relevant budget for accounting, internal audit and financial reporting functions of the Company.

Further, the Company has established a disclosure policy to provide relevant guidance for Directors, management staff and relevant employees of the Company in respect of handling confidential information, publication of inside information, monitor information disclosure and responses to enquiries. The Company has implemented controls to minimize the occurrence of unauthorized access and use of inside information.

JOINT COMPANY SECRETARIES

Mr. Zhao Wei, general manager of Bestway (Hong Kong) International Limited (an indirect wholly-owned subsidiary of the Company), together with Ms. Choy Yee Man of Tricor Services Limited, which is an external service provider, have been engaged by the Company as its joint company secretaries. The biographical information of Mr. Zhao Wei and Ms. Choy Yee Man are set out in the section headed "Biographies of Directors and Senior Management" of this annual report. Mr. Zhao Wei and Ms. Choy Yee Man have confirmed that they had compiled with Rule 3.29 of the Listing Rules. Mr. Zhao Wei has been designated as the primary contact person at the Company who would work and communicate with Ms. Choy Yee Man on the Company's corporate governance and secretarial and administrative matters.

SHAREHOLDERS' RIGHTS

To safeguard Shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting by Shareholders

Pursuant to Article 12.3 of the Articles, any two or more Shareholders or any one Shareholder which is a recognized clearing house (or its nominee(s)) (the "**Requisitionist(s)**") holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the Requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Putting Forward Proposals at General Meetings

There are no provisions in the Articles or the Cayman Islands Companies Law for Shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Suite 713, 7/F, East Wing, Tsim Sha Tsui Centre,
66 Mody Road,
Tsim Sha Tsui,
Kowloon, Hong Kong
(For the attention of the Joint Company Secretaries)

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Company's business performance and strategies. The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

The Company maintains a website at www.bestwaycorp.com as a communication platform with Shareholders and investors, where the financial information and other relevant information of the Company are available for public access.

Constitutional Documents

During the Reporting Year, the Company has not made any changes to the Articles. An up-to-date version of the Articles is also available on the Company's website and Stock Exchange's website.

REPORT OF THE DIRECTORS

The Board is pleased to present the report of the Directors together with the audited consolidated financial statements of the Group for the year ended December 31, 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is a global leading branded company for outdoor leisure products, led by a professional team with extensive industry experience. The shares of the Company were listed on the Main Board of the Stock Exchange on November 16, 2017.

Segment analysis of the Company for the year ended December 31, 2018 is set out in Note 5 to the consolidated financial statements. A list of the Company's subsidiaries, together with their places of incorporation, principal activities and particulars of their issued shares/registered share capital, is set out in Note 15 to the consolidated financial statements.

BUSINESS REVIEW

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the Group's business, particulars of important events affecting the Group that have occurred since the end of the financial year, an indication of likely future development in the Group's business, and an analysis using financial key performance indicators can be found in the Management Discussion and Analysis of this annual report set out on pages 10 to 23. Further details relating to the Group's relationships with its key stakeholders, the Group's environmental policies and performance, as well as the compliance with the relevant laws and regulations that have a significant impact on the Group can be found in the Environmental, Social and Governance Report on pages 31 to 46. The Management Discussion and Analysis and the Environmental, Social and Governance Report form part of this report of the Directors.

FINANCIAL RESULTS

The results of the Group for the year ended December 31, 2018 are set out in the consolidated statement of comprehensive income on page 92.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the financial position of the Group for the last five years is set out on page 177 of this annual report.

SHARE CAPITAL

For the purpose of Capitalization Issue as defined in the Prospectus and Listing, the Company had 1,058,391,000 issued Shares as at December 31, 2018. Details of the movement in the share capital of the Company during the year ended December 31, 2018 are set out in Note 27 to the consolidated financial statements.

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 annual general meeting of the Company to be held on May 27, 2019 ("**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.

DONATIONS

During the year ended December 31, 2018, the Group made charitable and other donations in an aggregate amount of approximately about US$52 thousand.

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..

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year ended December 31, 2018 are set out in Note 28 to the consolidated financial statements. As of December 31, 2018, the Company's distributable reserves amounted to US$169,620,064 as calculated pursuant to the Companies Law of the Cayman Islands.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements of our property, plant and equipment during the year ended December 31, 2018 are set out in Note 17 to the consolidated financial statements.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The Shares were listed on the Main Board of the Stock Exchange on November 16, 2017. The net proceeds from the Listing were US$142.0 million after deducting underwriting commissions and all related expenses. The intended use of the net proceeds are disclosed in the section "Future Plans and Use of Proceeds" in the prospectus of the Company dated November 6, 2017 (the "**Prospectus**"). Utilized net proceeds as of December 31, 2018 amounted to US$125.0 million for expansion of production capacity, repayment of short-term bank borrowings, product development, marketing events, improvement of enterprise resource planning system ("**ERP**"), working capital and other general corporate purposes. The Company intends to use the remaining net proceeds in the coming years in accordance with the purpose set out in the Prospectus. For further details, please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in the Prospectus.

As of December 31, 2018, the Group has utilized the net proceeds as follows:

	Percentage to total amount	**Net proceeds** US$ million	**Utilized amount** US$ million	**Unutilized amount** US$ million
Expansion of production capacity	37%	52.5	45.7	6.8
Repayment of short-term bank borrowings	35%	49.7	49.7	0
Product development	9%	12.8	6.9	5.9
Marketing events	5%	7.1	7.1	0
Improvement of ERP system	5%	7.1	2.8	4.3
Working capital and other general corporate purposes	9%	12.8	12.8	0
	100%	142.0	125.0	17.0

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 has purchased, sold or redeemed any of the Company's listed securities.

BOARD COMMITTEES

Please refer to pages 52 to 55 of the Corporate Governance Report for further details in relation to (1) Remuneration Committee, (2) Audit Committee, (3) Nomination Committee and (4) Risk Management Committee as established by the Board.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Directors:

Mr. Zhu Qiang (Chairman and chief executive officer)
Mr. Liu Feng
Mr. Tan Guozheng
Mr. Duan Kaifeng

Independent non-executive Directors:

Mr. Dai Guoqiang
Mr. Lam Yiu Kin
Mr. Yao Zhixian

Biographical details of the Directors are set out in "Biographies of Directors and Senior Management" on pages 77 to 84 of this annual report.

Mr. Zhu Qiang, Mr. Liu Feng, Mr. Tan Guozheng and Mr. Duan Kaifeng were re-elected as executive Directors at the 2018 annual general meeting of the Company (the "**2018 AGM**") held on May 10, 2018. Mr. Dai Guoqiang, Mr. Lam Yiu Kin and Mr. Yao Zhixian were re-elected as independent non-executive Directors at the 2018 AGM.

In accordance with Article 16.18 of the Articles, one-third of the Directors namely Mr. Zhu Qiang, Mr. Liu Feng and Mr. Tan Guozheng shall retire at the 2019 AGM. All of the above retiring Directors, being eligible, will offer themselves for re-election at the 2019 AGM.

DIRECTORS' SERVICE CONTRACTS

None of the Directors offering for re-election at the 2019 AGM has a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS OF SIGNIFICANCE AND COMPETING BUSINESS

Save as disclosed under the section headed "Related Party Transactions" below and Note 39 "Related party transactions" to the consolidated financial statements, no contracts of significance (as defined in Appendix 16 to the Listing Rules) in relation to our business to which the Company, its holding company or any of its subsidiaries was a party and in which a Director or controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of 2018 or at any time during 2018.

None of the Directors is interested in any businesses apart from our business which competes or is likely to compete with our business, either directly or indirectly or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

SANCTIONS RISKS MANAGEMENT

As disclosed in the Prospectus, the Board had developed its system on evaluating the sanctions risks prior to determining whether the Company should embark on any business opportunities in the countries, or with the individuals, sanctioned by the United States ("**U.S.**"), the European Union ("**E.U.**"), the United Nations or Australia, including but without limitation, any government, individual or entity that is subject to any the U.S. Department of Treasury's Office of Foreign Assets Control administered sanctions ("**Sanctioned Countries**" or "**Sanctioned Persons**"). Our risk control department assist our risk management committee in the day-to-day monitoring of our sanctions risks, including reviewing existing and potential customers' information against our control list of Sanctioned Countries and persons and entities designated pursuant to U.S., E.U. and Australian sanctions programs. The Company would seek advices from reputable external international legal counsels with necessary expertise and experience in matters relating to international sanctions laws if the Company encounters any possible sanctions risk. During the year ended December 31, 2018, the Board had conducted a review of the system's effectiveness in preventing any prohibited or otherwise restricted sales to Sanctioned Countries or Sanctioned Persons.

RELATED PARTY TRANSACTIONS

Details of the related party transactions were set out in Note 39 to the consolidated financial statements. Details of any related party transaction which constitute continuing connected transaction not exempted under Chapter 14A of the Listing Rules are disclosed below.

Continuing Connected Transactions

Since the Company's Listing, the parties listed below became connected parties to the Company and the transactions entered into by the Group with these connected parties constitute non-exempt continuing connected transactions:

上海事通塑膠製品廠 (Shanghai Shitong Plastic Production Factory) ("**Shanghai Shitong**") and 上海亞鳴塑膠製品廠 (Shanghai Yaming Plastic Production Factory) ("**Shanghai Yaming**"), being companies controlled by Mr. Zhu Qiang's sisters, and 上海明威印務有限公司 (Shanghai Mingwei Printing Limited Co.) ("**Shanghai Mingwei**"), 上海九豐塑料製品有限公司 (Shanghai Jiufeng Plastic Production Factory) ("**Shanghai Jiufeng**"), 上海凱良塑料製品有限公司 (Shanghai Kailiang Plastic Production Factory) ("**Shanghai Kailiang**"), 上海捷茂塑膠有限公司 (Shanghai Jiemao Plastic Limited Co.) ("**Shanghai Jiemao**") and 南通捷茂塑膠有限公司 (Nantong Jiemao Plastic Limited Co.) ("**Nantong Jiemao**", and together with Shanghai Shitong, Shanghai Yaming, Shanghai Mingwei, Shanghai Jiufeng, Shanghai Kailiang and Shanghai Jiemao, the "**Connected Suppliers**"), being companies controlled by family members of Mr. Zhu Qiang, an executive Director and one of the Controlling Shareholders.

Historically, the Group had been purchasing injection molding and printed products from the Connected Suppliers due to the family relationship between Mr. Zhu Qiang and the shareholders of the Connected Suppliers, which secures more convenient and efficient logistics, more reliable product quality and better service quality. The Group would continue to carry on the relevant transactions in order to satisfy high demand for products. On November 3, 2017, the Company entered into a purchase framework agreement with the Connected Suppliers to govern the relevant transactions (the "**Purchase Framework Agreement**"). The summary table of Purchase Framework Agreement is as follow:

Agreement date	Counterparties	Term of agreement	2018 Annual cap (RMB)	Amount for the year (RMB)
November 3, 2017	Connected Suppliers	November 16, 2017 to December 31, 2019	50 million	46.3 million

The aggregate purchase amount of injection molding and printed products payable under the Purchase Framework Agreement is determined as follows:

(a) tender process, which a tender will be offered to at least two independent bidders for injection molding and printed products in similar quantities. The chief officer of the procurement department will evaluate the following factors to determine if the price and terms offered by the Connected Suppliers are fair and reasonable: (1) the terms of tender proposals offered by the participating bidders, including tender price and other response to specifications set by the Group; (2) the background, qualifications and financial position of participating bidders; and (3) the experience of participating bidders in producing similar products. The tender procedures shall comply with the relevant local regulations; and

(b) after arms' length negotiation between the parties based on the following principles:

   i. by reference to the prevailing market prices of similar products provided by independent third parties under normal commercial terms in the ordinary course of business in the vicinity;

   ii. by reference to the prices of non-connected transactions between the connected parties and independent third parties; and

   iii. in any event at prices and terms no less favourable than those offered by independent third parties.

The Company's auditors were engaged to report on the Group's non-exempt continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above and

(a) nothing has come to their attention that causes them to believe that the above mentioned continuing connected transactions have not been approved by the Board;

(b) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(c) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) with respect to the aggregate amount of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap set by the Company.

The independent non-executive Directors of the Company have reviewed these transactions and confirmed that the non-exempt continuing connected transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Directors confirm that the Company has complied with the requirements of Chapter 14A of the Listing Rules in respect of all of its continuing connected transactions.

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

As at December 31, 2018, the interests of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), (ii) which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or (iii) which were notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, were as follows:

1. Interest in Shares or underlying shares of the Company

Name of Director	Nature of interest	Number of Shares or underlying shares	Approximate percentage of shareholding interest[1]
Mr. Zhu Qiang	Interest in controlled corporation[2]	574,706,132	54.30%
	Beneficial owner	1,017,500	0.10%
Mr. Duan Kaifeng	Beneficial owner	500,000	0.05%
Mr. Liu Feng	Beneficial owner	400,000	0.04%
Mr. Tan Guozheng	Beneficial owner	600,000	0.06%

Notes:

(1) As at December 31, 2018, the total number of issued shares of the Company was 1,058,391,000.

(2) These Shares were beneficially owned by Great Success Enterprises Holdings Limited (榮成實業控股有限公司) ("**Great Success**"), which is in turn wholly owned by Great Access Industry Inc. (榮達實業有限公司) ("**Great Access**"). Great Access is owned as to 92.0% by Mr. Zhu Qiang and 8.0% by his son, Mr. Zhu Jiachen. Accordingly, Mr. Zhu Qiang is deemed to be interested in all the Shares which are beneficially owned by Great Success for the purpose of Part XV of the SFO.

2. Interest in Shares of Associated Corporations of the Company

Name of Director	Name of associated corporation	Nature of interest	Number of Shares in the associated corporation	Percentage of shareholding
Mr. Zhu Qiang[1][2]	Great Success	Interest in controlled corporation	756	100.00%
	Great Access	Beneficial owner	92	92.00%

Notes:

(1) Great Success is wholly owned by Great Access.

(2) Great Access is owned as to 92.0% and 8.0% by Mr. Zhu Qiang and his son, Mr. Zhu Jiachen, respectively.

Save as disclosed above, as of December 31, 2018, so far as is known to the Directors, none of the Directors and the chief executives of the Company had or were deemed to have any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified under Divisions 7 and 8 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS

As at December 31, 2018, the following persons (other than the Directors and chief executives of the Company) had interest in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of interest in the Company[1]
Great Success	Beneficial owner	574,706,132	54.30%
Great Access[2]	Interest in controlled corporation	574,706,132	54.30%
MSNKS Investments II, LLC	Beneficial owner	142,882,740	13.50%
Mr. Bogdan Nowak[3]	Interest in controlled corporation	142,882,740	13.50%
Outland Enterprise Company Limited	Beneficial owner	64,297,233	6.07%

Notes:

(1) As at December 31, 2018, the total number of issued shares of the Company was 1,058,391,000.

(2) Great Access owns the entire issued share capital of Great Success and accordingly is deemed to be interested in all the Shares held by Great Success for the purpose of Part XV of the SFO.

(3) Mr. Bogdan Nowak owns the entire issued share capital of MSNKS Investments II, LLC and accordingly is deemed to be interested in all the Shares held by MSNKS Investments II, LLC for the purpose of Part XV of the SFO.

EQUITY-LINKED AGREEMENTS

Save for the share-based payments scheme as set out below, the Company has not entered into any equity-linked agreement during the year ended December 31, 2018.

SHARE OPTION SCHEME AND SHARE-BASED PAYMENTS SCHEME

Save as disclosed below and Note 29 to the consolidated financial statements, the Company does not have other share option schemes.

The Company operates a share option scheme ("**Share Option Scheme**") approved on October 18, 2017 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include (i) any director and employee of any member of the Group and its invested entities; and (ii) any customer, business or joint venture partner, advisor, consultant, contractor, supplier, agent or service provider of the Group and its invested entities together with their full-time employees. The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or the other share option scheme adopted by the Company is 105,839,100 Shares, representing 10% of the issued share capital of the Company as at the date of this annual report. Under the Share Option Scheme, the Directors may, at their discretion, at any time during 10 years from the date of adoption of the Share Option Scheme, invite employees and officers of any member of the Group to subscribe for shares of the Company in accordance with the terms of the Scheme. A consideration of HK$1 shall be payable on acceptance of an offer of option.

The subscription price shall be a price determined by the Board but in any event shall be at least the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of offer;

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer; and

(iii) the nominal value of the Shares.

There is no minimum period for which any option must be held before it can be exercised and no performance target which need to be achieved by a grantee before the option can be exercised unless the Board otherwise determined and stated in the offer letter of the grant of options.

The new Shares, when issued and fully paid, will rank pari passu among themselves and with the Shares currently in issue, pursuant to the Share Option Scheme.

Unless approved by Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that grantee on exercise of his options (including both exercised and outstanding options) during any 12 month period exceeding 1% of the total Shares then in issue.

Any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates (as defined in the Listing Rules) must be approved by the Shareholders in general meeting if the Shares issued and to be issued upon exercise of all options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) in the 12 month period up to and including the proposed date of grant:

(i) would represent in aggregate more than 0.1% of the Shares then in issue; and

(ii) would have an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5,000,000 (or such other amount as shall be permissible under the Listing Rules from time to time).

Details of option grant are set out in Note 29 to the consolidated financial statements.

On March 20, 2018, the Company has granted 19,070,000 share options to certain Directors and employees of the Group to subscribe for up to 19,070,000 Shares under the Share Option Scheme. The details have been set out in the announcement of the Company dated March 20, 2018.

During the year ended December 31, 2018, the movements of the options which have been granted under the Share Option Scheme were as follows:

				Number of share options				
Category	Date of Grant[1]	Exercise price per Share (HK$)	Exercise Period[2]	Balance as at January 1, 2018	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Balance as at December 31, 2018
Directors								
Mr. Liu Feng	March 20, 2018	4.346	March 20, 2019 -March 20, 2023	–	400,000	–	–	400,000
Mr. Tan Guozheng	March 20, 2018	4.346	March 20, 2019 -March 20, 2023	–	600,000	–	–	600,000
Mr. Duan Kaifeng	March 20, 2018	4.346	March 20, 2019 -March 20, 2023	–	500,000	–	–	500,000
Total for Directors					1,500,000			1,500,000
Employees								
Employees of the Group	December 18, 2017	3.028	December 18, 2018 – December 18, 2022	10,000,000	–	–	–	10,000,000
	March 20, 2018	4.346	March 20, 2019 – March 20, 2023	–	17,570,000	–	–	17,570,000
Total for Employees of the Group				10,000,000	17,570,000	–	–	27,570,000
Total for all categories				10,000,000	19,070,000	–	–	29,070,000

Notes:

(1) The closing price of the shares of the Company immediately before the date on which the options were granted during the period was HK$4.20. The fair value of the share options granted is set out in Note 29 to the consolidated financial statements.

(2) Subject to the terms and conditions of the Share Option Scheme, 25% of these share options will be vested on the date falling on the first, second, third and fourth anniversary of the respective date of grant, respectively.

Save as disclosed above, no other options under the Share Option Scheme were outstanding at the beginning or at the end of the year ended December 31, 2018 and no other options were granted, exercised, cancelled or lapsed at any time during the year.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

Great Success, Great Access, Outland Enterprise Company Limited, Mr. Bogdan Nowak, Mr. Patrizio Fumagalli, Mr. Zhu Qiang and Mr. Zhu Jiachen are the controlling shareholders (has the meaning ascribed thereto in the Listing Rules) of the Company (collectively, the "**Controlling Shareholders**"). To ensure that direct and indirect competition does not develop between us and the Controlling Shareholders' other activities, our Controlling Shareholders have entered into a deed of non-competition (the "**Deed of Non-Competition**") as set out in section headed "Relationship with Controlling Shareholders — Non-Competition Undertaking" in the Prospectus. The Controlling Shareholders confirmed their compliance of all the undertakings provided under the Deed of Non-Competition. There are no matters which are required to be deliberated by the independent non-executive Directors in relation to the compliance and enforcement of the Deed of Non-Competition and it is considered that the terms of the Deed of Non-Competition have been complied by the Controlling Shareholders.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of the Cayman Islands (place of incorporation of the Company) or under the Articles which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

EMPLOYEE RETIREMENT BENEFIT

The Group operates post-retirement benefit obligations in the PRC. The level of benefits provided depends on members' length of service and their job titles. The service cost in 2018 of the post-retirement benefits set out in Note 10 to the consolidated financial statements, reflects the increase in the post-retirement benefits results from employee service in the current year, benefit changes, curtailments and settlements.

CORPORATE GOVERNANCE

The Company has adopted the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules. The Board considered that during the year ended December 31, 2018, the Company has complied with the applicable code provisions set out in the CG Code, save for code provision A.2.1 of the CG Code. For details, please refer to the "Corporate Governance Report" on pages 49 to 61 of this annual report.

EMOLUMENT POLICY AND SENIOR MANAGEMENT'S EMOLUMENTS

For details of our remuneration policy and regarding our employees, please refer to the section "V. Our Employees" under "Environmental, Social and Governance Report" on pages 38 to 41 in this annual report.

The Company has adopted the model whereby the remuneration committee of the Board (the "**Remuneration Committee**") makes recommendations to the Board on the remuneration packages of individual executive Directors and senior management, which should include benefits in kind, pension rights and compensation payments and any compensation payable for loss or termination of their office(s) or appointment(s), and to make recommendations to the Board on the remuneration of independent non-executive Directors.

In determining or recommending the remuneration packages of the Directors and senior management, the Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management, employment conditions elsewhere in the Group and desirability of performance-based remuneration. In reviewing and approving performance based remuneration, reference will be made by the Remuneration Committee to the Group's corporate goals and objectives resolved by the Board from time to time.

The five individuals whose remuneration was the highest in the Group in 2018 included one Director and four members of the senior management.

The annual remuneration of the members of the senior management (other than the Director) by bands for the year ended December 31, 2018 is set out below:

Remuneration bands	**Number of individuals**
Within HKD1,000,000	–
HKD1,000,000 to HKD1,500,000	1
Above HKD2,000,000	3

Details of the remuneration of each of the Directors for the year ended December 31, 2018 are set out in Note 42 to the consolidated financial statements.

None of the Directors has agreed to waive any emoluments for the year ended December 31, 2018.

NON-COMPETITION UNDERTAKING BY DIRECTORS

None of the Directors of the Company or their respective associates have any interests in a business which competes or may compete with the business of the Company.

MINIMUM PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as of the date of this annual report, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or substantial part of the business of the Company were entered into or existed during the year ended December 31, 2018.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has taken out and maintained appropriate Directors' liability insurance coverage for the Directors.

MAJOR CUSTOMERS AND SUPPLIERS

The relationship between the Group and our customers has been stable. For the year ended December 31, 2018, the aggregate sales to our five largest customers comprised 19.1% by the value of our total revenue in 2018, with the largest customers account for 4.7%.

The relationship between the Group and our suppliers has been stable. For the year ended December 31, 2018, the five largest suppliers of the Group comprised 38.9% by value of our total purchases during the year, with the largest supplier accounted for 11.1%.

None of the Directors, their close associates or a Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has an interest in any of our five largest customers and suppliers.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the Share Option Scheme, at no time during the year ended December 31, 2018 was the Company or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

BANK LOAN, OVERDRAFTS AND OTHER BORROWINGS

For details, please refer to the section "Borrowings" under "Management Discussion and Analysis" on page 20 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

It is our corporate and social responsibility in promoting a sustainable and environmental friendly environment. The Group has implemented internal policies and procedures with respect to environmental protection. We spent US$1.2 million, US$1.4 million and US$2.3 million for the years ended December 31, 2016, 2017 and 2018, respectively, as cost of compliance with the applicable environmental laws and regulations. We were ranked as one of the top seven Chinese Suppliers and awarded the "Leading Suppliers for corporate action on Climate Change in China" in 2016 and 2017 by CDP (Carbon Disclosure Project).

COMPLIANCE WITH LAWS AND REGULATIONS

Our operations are mainly carried out by the Company's subsidiaries in China while the Company itself is listed on the Stock Exchange. Our operations shall comply with relevant laws and regulations in China and Hong Kong. During the year ended December 31, 2018 and up to the date of this annual report, the Group has complied with all the relevant laws and regulations in China and Hong Kong in all material respects.

AUDITOR

The consolidated financial statements for the year ended December 31, 2018 have been audited by PricewaterhouseCoopers, who will retire at the conclusion of the AGM and offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the auditor of the Company will be proposed at the AGM.

On behalf of the Board
Zhu Qiang
Chairman and Chief Executive Officer
Hong Kong
March 28, 2019

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Zhu Qiang (朱強)

Executive Director, chief executive officer and chairman

Mr. Zhu Qiang (朱強), aged 50, is the founder of the Group, our Controlling Shareholder, Chairman, executive Director and chief executive officer of the Company, chairman of the risk management committee and was appointed as a Director on June 25, 2012. Mr. Zhu is responsible for formulating overall development planning and strategic management, overseeing global management of the BESTWAY brand, making major business decisions and formulating overall operation management of the Group. With 24 years of experience with the Group, Mr. Zhu was the general manager when Shanghai Bestway Plastic was established in April 1994, and has become the Chairman and the chief executive officer of the Group since January 2001. Prior to establishing the Group in 1994, Mr. Zhu worked at Shanghai Municipal Foreign Economic Relations and Trade Commission (上海市對外經濟貿易委員會) (currently known as Shanghai Municipal Commission of Commerce (上海市商務委員會)) from July 1990 to June 1993 and was responsible for import and export business such as overseas sales and marketing, sourcing and procurement.

Mr. Zhu graduated from the mechanical faculty of Shanghai Institute of Mechanical Engineering and Technology (上海機械專科學校) (currently known as University of Shanghai for Science and Technology (上海理工大學)) majoring in Mechanical Manufacturing Technology and Equipment in June 1990 and graduated from Fudan University (復旦大學) with an Executive Master of Business Administration ("**EMBA**") degree in January 2008. Over the years, Mr. Zhu has received many awards and accolades acknowledging his contributions to both the industry and the society, such as receiving the Excellent Entrepreneur in Shanghai Light Industry (上海市輕工行業優秀企業家) from the Shanghai Light Industry Association (上海市輕工業協會) in 2010, and the Excellent Entrepreneurship Award (優秀企業家獎) from China Stationery & Sporting Goods Association (中國文教體育用品協會) in 2017.

Liu Feng (劉峰)

Executive Director

Mr. Liu Feng (劉峰), aged 49, is the executive Director, executive vice president and general counsel to the Company and was appointed as a Director on June 25, 2012. Mr. Liu is responsible for managing government relationships, supervising human resources and general administration of the Group. Mr. Liu joined the Group in May 2002 and has 16 years of experience in management with the Group. Prior to joining the Group, Mr. Liu was the deputy general manager in Shanghai City Real Estate Information Technology Co., Ltd (上海城市房地產信息技術有限公司) from January 1999 to April 2002.

Mr. Liu graduated from Shanghai University of Technology (上海工業大學) (currently known as Shanghai University (上海大學)) with a major in Computer Software in July 1991. Mr. Liu also graduated from Fudan University (復旦大學) with an EMBA degree in June 2010. Furthermore, Mr. Liu obtained the title of intermediate level engineer from Shanghai Engineering Series Light Industry Profession (Electronics) (上海市工程系列輕工專業中級專業技術職務任職資格評審委員會) in December 2015.

Mr. Liu has been a representative of the People's Congress in Jiading District of Shanghai since November 2016.

Tan Guozheng (譚國政)

Executive Director

Mr. Tan Guozheng (譚國政), aged 50, is the executive Director and vice president of the Company and was appointed as a Director on March 31, 2014. Mr. Tan is responsible for overseeing and managing finance and internal control of the Group. Mr. Tan joined the Group in November 2004 and has 14 years of experience in financial control with the Group.

Mr. Tan received tertiary education at Hunan Institute of Building Material Industry (湖南建材工業專科學校) (currently known as Hunan Institute of Technology (湖南工學院)) and graduated in July 1991. Mr. Tan also attended the National Economics Program for master postgraduate students (國民經濟學碩士研究生課程進修班) at the University of Shanghai for Science and Technology (上海理工大學) from April 2005 to June 2007.

Mr. Tan obtained the qualification of certified public accountant (non-practicing) from the Shanghai Institute of Certified Public Accountants (上海市註冊會計師協會) in November 2004 and the qualification of Senior Accountant from the Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) in December 2013. Furthermore, Mr. Tan obtained the qualification of certified public valuer (non-practicing) from Shanghai Municipal Bureau (上海市人事局) in November 2006.

Duan Kaifeng (段開峰)

Executive Director

Mr. Duan Kaifeng (段開峰), aged 44, is the executive Director and chief financial officer of the Company and was appointed as a Director on May 10, 2017. Mr. Duan is responsible for accounting, budgeting and overall financial management of the Group. Mr. Duan joined the Group in 2007 and has 11 years of experience in financial management with the Group. Prior to joining the Group, Mr. Duan worked at the finance department of Shanghai Novel Colour Picture Tube Inc., (上海永新彩色顯像管股份有限公司) (previously known as Shanghai Novel CPT Co., Ltd (上海永新彩色顯像管有限公司)) from April 2000 to August 2006 and served as the accounting manager at the time of departure.

Mr. Duan graduated from Dongbei University of Finance and Economics (東北財經大學) with a master's degree in Accounting in March 2000.

Mr. Duan obtained the qualification of certified public accountant (non-practicing) from the Shanghai Institute of Certified Public Accountants (上海市註冊會計師協會) in March 2004 and the qualification of Senior Accountant from the Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) in December 2014.

Dai Guoqiang (戴國強)

Independent non-executive Director

Mr. Dai Guoqiang (戴國強), aged 66, is the independent non-executive Director of the Company and was appointed as a Director on October 18, 2017. Mr. Dai graduated from Shanghai School of Finance and Economics (上海財經學院) (currently known as Shanghai University of Finance and Economics (上海財經大學)), with a bachelor's and a master's degree in January 1983 and July 1987 respectively. Following which, Mr. Dai obtained a Ph.D. in Economics from Fudan University (復旦大學) in July 1994. He was the Dean of the School of Finance of Shanghai University of Finance and Economics (上海財經大學) from March 1999 to April 2006. He was the Party Secretary (黨委書記) of the School of Finance of Shanghai University of Finance and Economics (上海財經大學) from April 2006 to July 2007. He served as the Dean and Party branch Secretary of the Master of Business Administration School of Shanghai University of Finance and Economics (上海財經大學) from July 2007 to April 2011. Mr. Dai served as the Party branch Secretary and associate Dean (黨支部書記兼副院長) of the College of Business of Shanghai University of Finance and Economics (上海財經大學) since April 2011. He ceased his position as Party branch secretary and associate Dean in February 2016 and March 2017 respectively. Mr. Dai has served as a professor of finance of the School of Finance of Shanghai University of Finance and Economics (上海財經大學) since June 1995.

Mr. Dai was the independent non-executive director of Bank of Shanghai Co., Ltd (上海銀行股份有限公司) from February 2004 to June 2009. He was an external supervisor of Bank of Shanghai Co., Ltd (上海銀行股份有限公司) from June 2009 to June 2017. He was an independent non-executive director of Shanghai Fudan Forward Science and Technology Co., Ltd. (上海復旦複華科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600624) from March 2008 to October 2014. Mr. Dai served as a member of Master of Finance Teaching Guidance Committee under the Ministry of Education of the PRC (中華人民共和國教育部金融專業學位研究生教學指導委員會委員) from January 2011 to March 2017. He also serves as an arbitrator on the panel of China International Economic and Trade Arbitration Commission since May 2014.

Mr. Dai was awarded with the Shanghai Teaching Model Nomination Award (上海市教書育人楷模提名獎) in September 2012, the 3rd Universities Distinguished Teacher Award (第三屆高等學校教學名師獎) from Ministry of Education of the PRC in September 2007, the Shanghai Universities Distinguished Teacher Award (上海高校教學名師獎) in August 2006, and the Citigroup Financial Information Technology Education Fund Project Excellence Award (花旗集團金融信息科技教育基金項目優秀獎教金) from Citigroup Software and Technology Services (Shanghai) Limited (花旗軟件技術服務(上海)有限公司) in December 2005. Mr. Dai is currently an independent non-executive director of China Greenland Broad Greenstate Group Company Limited (stock code: 1253) and Bank of Guiyang Co., Ltd. (貴陽銀行股份有限公司) (stock code: 601997).

Lam Yiu Kin (林耀堅)

Independent non-executive Director

Mr. Lam Yiu Kin (林耀堅), aged 64, is the independent non-executive Director of the Company, chairman of the audit committee and was appointed as a Director on October 18, 2017.

Mr. Lam is a fellow of the Association of Chartered Certified Accountants, a member of the Institute of Chartered Accountants in England & Wales, a member of the Chartered Accountants Australia and New Zealand, and Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). He graduated from Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) with a higher diploma in Accountancy in October 1975. He was conferred University Fellow of The Hong Kong Polytechnic University in November 2002. Mr. Lam was a partner of PricewaterhouseCoopers from 1993 to 2013. Mr. Lam was an independent non-executive director of Royal Century Resources Holdings Limited (formerly known as Kate China Holdings Limited) (stock code: 8125), a company listed on the Growth Enterprise Market of the Stock Exchange, from June 2014 to September 2015, and Mason Financial Holdings Limited (stock code: 0273), a company listed on the Main Board of the Stock Exchange, from August 2015 to May 2017. Mr. Lam is currently an independent non-executive director of each of Global Digital Creations Holdings Limited (stock code: 8271); Spring Real Estate Investment Trust (stock code: 1426); Vital Mobile Holdings Limited (stock code: 6133); Shanghai Fudan-Zhangjiang BioPharmaceutical Co., Ltd. (stock code: 1349); Shougang Concord Century Holdings Limited (stock code: 0103); COSCO Shipping Ports Limited (stock code: 1199); Nine Dragons Paper (Holdings) Limited (stock code: 2689); WWPKG Holdings Company Limited (stock code: 8069); and CITIC Telecom International Holdings Limited (stock code: 1883).

Yao Zhixian (姚志賢)

Independent non-executive Director

Mr. Yao Zhixian (姚志賢), aged 68, is the independent non-executive Director of the Company, chairman of the nomination committee and was appointed as a Director on October 18, 2017.

Mr. Yao studied in the Department of Union of China Union Academy (中國工運學院) (currently known as China Institute of Industrial Relations (中國勞動關係學院)) from September 1983 to December 1985, and studied at Correspondence College of the Central School of the Communist Party of China (中共中央黨校函授學院) from August 1995 to December 1997 with a bachelor degree majoring in Economics and Management. From July 2001 to February 2003, he studied and graduated from the postgraduate program of Laws at China University of Political Science and Law (中國政法大學).

Mr. Yao worked as a section chief and vice-chairman of Shanghai Light Industry Union (上海市輕工業工會) from December 1981 to March 1999. Mr. Yao was employed by Shanghai Forever Co., Ltd. (上海永久股份有限公司) (currently known as Zhonglu Co., Ltd. (中路股份有限公司)) as the party secretary (黨委書記) and chairman of the Board from April 1999 to April 2002. Mr. Yao was the vice chairman of both Shanghai Light Industry Union (上海市輕工業工會) and Shanghai Light Industry Federation of Trade Union (上海輕工業工會聯合會) from May 2002 to August 2015.

Mr. Yao has been the general secretary of Shanghai Light Industry Association (上海市輕工業協會), since September 2015, and the vice president of Shanghai Federation of Industrial Economics (上海市工業經濟聯合會) and Shanghai Federation of Economic Organizations (上海市經濟團體聯合會), and a member of Shanghai Consumer Council (上海市消費者權益保護委員會) since December 2015. Mr. Yao was awarded National Outstanding Labor Union Worker in the Light Industry (全國輕工行業系統優秀工會工作者) in October 1994 by China National Committee of Light Industry Trade Unions (中國輕工業工會全國委員會), National Outstanding Worker of the Labor Union (全國優秀工會工作者) in April 2008 by All-China Federation of Trade Unions (中華全國總工會) and National Outstanding Worker of the Labor Union in the Light Textile Trading Industry (全國財貿輕紡煙草行業優秀工會工作者) in November 2011 by National Committee of the Trade Union of Financial and Commercial Workers, Light Industry and Textile Workers, Tobacco Industry Workers (中國財貿輕紡煙草工會全國委員會), respectively.

SENIOR MANAGEMENT

Patrizio Fumagalli

Chief strategic officer of the Group

Mr. Patrizio Fumagalli, aged 45, is the chief strategic officer of the Group. Mr. Fumagalli is based in Phoenix, United States. Mr. Fumagalli is responsible for strategic management of global market development, product portfolio management, supervision of research and development, design and operations, and implementation of overall marketing strategy. Mr. Fumagalli joined the Group in 1998 and has 20 years of experience in management with the Group. Prior to the current position, Mr. Fumagalli had been the general manager of Bestway USA from 2013 to 2017 and of Bestway Europe from 1998 to 2012, respectively, responsible for general management, setup and continuous improvement of sales network, marketing for the North American market and the European market, product development and management of the product design team.

Huang Shuiyong (黃水勇)
Vice president of research and development and manufacturing department of the Group

Mr. Huang Shuiyong (黃水勇), aged 47, is the vice president of research and development and manufacturing department (研發與製造副總裁) of the Group. Mr. Huang is responsible for technology management, production management, product quality management, factory technology improvement and procurement supervision. Mr. Huang joined the Group in December 2003 and has 15 years of experience with the Group. Prior to the current position, Mr. Huang was the manager of research and development department and the general manager of the tertiary processing department of the Group. Prior to joining the Group, Mr. Huang was a technician at Xiamen Tongan Silver City United Brewery (廈門同安銀城聯合啤酒廠) from October 1992 to December 1993. Mr. Huang received secondary education majoring in Light Industrial Machinery at Shanghai Light Industry School (上海市輕工業學校) and graduated in July 1992.

Simone Zesi
General manager of Bestway Europe

Mr. Simone Zesi, aged 37, is the general manager of Bestway Europe. Mr. Zesi is based in Milan, Italy. Mr. Zesi is responsible for marketing management, sales channels, customer service and finance, product compliance and testing, e-commerce operations in Europe, and supervising the Group's branch offices in Italy, France and Germany. Mr. Zesi joined the Group in 2004 and has 14 years of experience with the Group. Prior to the current position, he worked for Bestway Europe, responsible for ecommerce, after-sales service and business development with various international retail chain stores including OBI GmbH & Co., Lidl Stiftung & Co. KG, ALDI Einkauf GmbH & Co and METRO AG. Mr. Zesi graduated with honors from Universita Cattolica Del Sacro Cuore with a doctor's degree, a major in Foreign Languages and Literatures and a minor in Computer Science and Technology, in July 2004. Mr. Zesi also graduated from the University of Bologna Alma Graduate School with a master's degree in General Management in February 2014.

Yan Yu (閆宇)
General manager of global sales division of the Group

Mr. Yan Yu (閆宇), aged 43, is the general manager of global sales division (全球銷售中心總經理) of the Group. Mr. Yan is responsible for the overall management of the global sales division of our Group. Mr. Yan joined the Group in 2000 and has 18 years of experience with the Group. Prior to the current position, Mr. Yan was the sales manager, regional sales vice president and senior sales director of the Group. Mr. Yan graduated from Shanghai University of International Business and Economics (上海對外貿易學院) with a bachelor's degree in Economics majoring in International Trade in July 2000.

Huang Yaoguang (黃耀光)

General manager of R&D centre of the Group

Mr. Huang Yaoguang (黃耀光), aged 36, is the general manager of R&D centre (研發中心總經理) of the Group. Mr. Huang is responsible for new product development, research and development project management, product safety certification, intellectual property rights, quality assurance, and global after-sales service management of the Group. Mr. Huang joined the Group in 2010 and has 8 years of experience with the Group. Prior to the current position, Mr. Huang was the sales manager and regional sales vice president of the Group. Prior to joining the Group, Mr. Huang worked at Home Retail Group Procurement Consultancy (Shanghai) Limited (家悅採購諮詢(上海)有限公司) from January 2007 to February 2009 and was responsible for product procurement, and was the purchasing engineer at Shanghai Sportin Trading Co., Ltd. (上海斯博汀貿易有限公司) from February 2009 to February 2010 and was responsible for product development and supplier management. Mr. Huang graduated from Shanghai Tongji University (上海同濟大學) with a bachelor's degree in International Economics and Trade in July 2004.

Scott Schellhase

General manager of Bestway USA

Mr. Scott Schellhase, aged 50, is the general manager of Bestway USA. Mr. Schellhase is based in Phoenix, United States. Mr. Schellhase is responsible for marketing and sales channel management and general management of Bestway USA. Mr. Schellhase joined the Group in 2007 and has 11 years of experience with the Group. Prior to the current position, Mr. Schellhase worked in the Group's sales department. Prior to joining the Company, Mr. Schellhase had worked at Funrise Toy Corporation from 1996 to 2007 and served as the executive vice president at the time of his departure. Mr. Schellhase graduated from North Tama High School in May 1986.

Zhang Yong (張勇)

Deputy general manager of finished goods production of the Group

Mr. Zhang Yong (張勇), aged 44, is the deputy general manager of finished goods production department (三次加工事業部常務副總經理) of the Group. Mr. Zhang is responsible for manufacturing and technology management, factory production management, quality management in the finished goods production department of the Group. Mr. Zhang joined the Group in 1999 and has 19 years of experience with the Group. Prior to the current position, Mr. Zhang was the workshop manager, the assistant to the head of factory and the head of factory of the subsidiaries of the Group. Mr. Zhang received tertiary education majoring in Silkworms Studies at Anhui Agricultural University (安徽農業大學) and graduated in July 1996.

Cristobal Achurra Staplefield

General manager of Bestway Central & South America

Mr. Cristobal Achurra Staplefield, aged 42, is the general manager of Bestway Central & South America. Mr. Achurra is based in Santiago, Chile. Mr. Achurra is responsible for promotion and sales channel management and general management of sales and after-sales services in Latin America. Mr. Achurra joined the Group in 2002 and has 16 years of experience with the Group. Prior to the current position, Mr. Achurra was a sales manager and a commercial manager of Bestway Central & South America Ltd from 2002 to 2014. Mr. Achurra graduated from Escuela de Administración Agricola de Paine, with a bachelor's degree of Superior Level of Techics of Agricultural Administration in November 2000.

Wang Hui (王輝)

Head of capital market of the Group

Mr. Wang Hui (王輝), aged 37, joined the Group as head of Capital Market in December 2017. Mr. Wang is responsible for the capital operation, corporate finance and investor relations of the Group. Mr. Wang works in the Group's Hong Kong office and reports to the Chief Executive Officer of the Group. Prior to joining the Group, Mr. Wang was an executive director and chief financial officer of Longitech Smart Energy Holding Limited (stock code: 01281) from September 2015 to August 2017. Prior to that, Mr. Wang has over 13 years of experience in capital market, corporate finance and bank financing in Hong Kong and Mainland China. He served in various financial institutions including Standard Chartered Bank, UBS, Credit Suisse and China International Capital Corporation where he executed transactions on initial public offering, merger and acquisition, overseas bond offering and overseas bank financing. Mr. Wang holds a bachelor's degree in Economics from Fudan University.

JOINT COMPANY SECRETARIES

Zhao Wei (趙煒)

Mr. Zhao Wei (趙煒) was appointed as a joint company secretary of the Company on May 15, 2017.

Mr. Zhao, aged 49, is the general manager of Bestway Hong Kong. Mr. Zhao is responsible for overall operational management, financial management and sales support of Bestway Hong Kong. Mr. Zhao joined the Company in 1999 and has 19 years of experience with the Group. Prior to joining the Company, Mr. Zhao was the export manager at Hong Kong Unisia Products Company Ltd. from December 1996 to October 1999 and was responsible for sales. Mr. Zhao graduated from East China Normal University (華東師範大學) with a bachelor's degree in International Finance in July 1991.

Choy Yee Man (蔡綺文)

Ms. Choy Yee Man (蔡綺文) was appointed as a joint company secretary of the Company on May 15, 2017. She has been a director of corporate services division of Tricor Services Limited since January 1, 2013, where she leads a team of professional staff to provide a full range of company secretary services. She has over 20 years of experience in the corporate services industry. Ms. Choy is currently the joint company secretary of A-Living Services Co., Ltd (Stock Code: 3319), a company listed on the Stock Exchange. Ms. Choy received a bachelor of arts degree in accountancy from City Polytechnic of Hong Kong (now known as City University of Hong Kong) in November 1992. Ms. Choy has been a fellow member of the Hong Kong Institute of Chartered Secretaries since October 2012 and the Institute of Chartered Secretaries and Administrators in the United Kingdom since October 2012.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of Bestway Global Holding Inc.
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Bestway Global Holding Inc. (the "Company") and its subsidiaries (the "Group") set out on pages 91 to 176, which comprise:

- the consolidated statement of financial position as at December 31, 2018;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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Tel: +852 2289 8888, Fax: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue Recognition: Revenue from contracts with customers
- Allowance for impairment of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition: Revenue from contracts with customers *Refer to Notes 2.26 and 6 to the consolidated financial statements* During the year ended December 31, 2018 the Group has recognised revenue from sales of products amounting to US$ 865.3 million. Revenue is recognised when control of the underlying products have been transferred to the customers. We focused on this area due to the huge volume of revenue transactions generated from sales of numerous kinds of products in many different locations. There is potential misstatement on occurrence and cut-off of the revenue transactions.	We understood, evaluated and validated management's controls in respect of the Group's process to recognise revenue from sales of products, from customer order's approval, bills of lading, sales recording, reconciliation of cash receipts and customer's records through to subsequent settlement of trade receivables. In addition, we tested the general control environment of the Group's information technology systems and the automated controls that were related to revenue recording. We conducted testing of revenue recorded covering different locations and customers, using sampling techniques, by examining the relevant supporting documents including customer orders, invoice, bills of lading and cash receipts. In addition, we sent confirmations regarding the customers' balances as at year end and sales transactions during the year on a sample basis. Furthermore, we tested sales transactions that took place shortly before and after the balance sheet date, by reconciling recognised revenue with the bills of lading, to assess whether revenue was recognised in the correct reporting periods. Based on the work performed, we found the Group's revenue from sales of products being tested were recognised in a manner consistent with the Group's revenue recognition accounting policy.

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Allowance for impairment of trade receivables *Refer to Notes 2.11.4 and 23 to the consolidated financial statements* As at December 31, 2018, the Group's trade receivables is US$211.5 million, and the allowance for impairment of trade receivables of the Group is US$2.3 million. Management applied the simplified approach permitted by HKFRS 9 to assess expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. We focused on this area due to the significance of the balances of trade receivables from different locations and the related allowance for impairment, and the involvement of management's significant judgement and estimates of the allowance for impairment.	We understood, evaluated and tested management's controls in respect of assessing impairment of trade receivables. We obtained the detailed listings of trade receivables together with the aging analysis and agreed the balances to the general ledgers for those operating entities which have been identified as significant components to the Group. We tested the aging analysis on sample basis by checking to relevant supporting documents, including sales invoices, sales contracts, and bills of lading. We inquired with management and assessed the reasonableness of their judgements on the recoverability of trade receivables, with a focus on those past due long ageing receivable balance, primarily based on the information and evidence collected by management for the purpose of their assessment. We performed subsequent settlement tests to agree the relevant trade receivable balances to post year end cash receipts. We assessed the appropriateness of the management's grouping of trade receivables by considering their credit risks. We evaluated the reasonableness of the default rates of different groups by considering the actual losses incurred and whether the expected loss rates were assessed by the management based on the default rates with considering the forward-looking elements, evidence from external resources including the relevant public search results relating to financial circumstances of the customers and expected behaviour including method of payment or payment periods. Based upon the above, we considered that management had made reasonable judgements and estimates that were supported by the available evidence for their assessment of the allowance for impairment.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Financial Highlights, Chairman's Statement and Management Discussion and Analysis (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and Corporate Profile, Global Presence, Products Overview, Environmental, Social and Governance Report, Investors Relations, Corporate Governance Report, Report of the Directors and Biographies of Directors and Senior Management, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Corporate Profile, Global Presence, Products Overview, Environmental, Social and Governance Report, Investors Relations, Corporate Governance Report, Report of the Directors and Biographies of Directors and Senior Management, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the audit committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is CHAN Chiu Kong, Edmond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 28, 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2018

	Note	2018 US$	2017 US$
Revenue from contracts with customers	6	865,281,075	722,546,180
Cost of sales	6,9	(634,712,787)	(539,770,782)
Gross profit		230,568,288	182,775,398
Selling and distribution expenses	9	(84,432,466)	(68,863,132)
General and administrative expenses	9	(70,668,029)	(60,243,444)
Net impairment losses on financial and contract assets		(734,099)	(322,552)
Other income	7	11,248,714	16,846,940
Other losses – net	8	(21,128,048)	(6,234,696)
Operating profit		64,854,360	63,958,514
Finance income	11	479,183	218,153
Finance expenses	11	(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	12	(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	13	0.0407	0.0574
– Diluted earnings per share	13	0.0406	0.0574

The notes on pages 98 to 176 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2018

	2018 US$	2017 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

The notes on pages 98 to 176 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

	Note	2018 US$	2017 US$
Assets			
Non-current assets			
Land use rights	16	**34,359,812**	25,273,107
Property, plant and equipment	17	**295,739,921**	223,818,719
Investment properties	18	**8,477,978**	–
Intangible assets	19	**1,042,848**	567,649
Deferred tax assets	34	**4,632,922**	4,635,071
Available-for-sale financial assets	21	**–**	457,636
Financial assets at fair value through other comprehensive income	21	**643,539**	–
Prepayments and other receivables	26	**2,511,845**	13,517,493
		347,408,865	268,269,675
Current assets			
Inventories	22	**331,024,863**	250,962,383
Contract assets	5	**35,093**	–
Trade receivables	23	**209,219,454**	139,607,653
Prepayments and other receivables	26	**44,540,962**	35,281,221
Financial assets at fair value through profit or loss	25	**17,542,213**	1,149,620
Derivative financial instruments	33	**1,031,011**	1,794,783
Restricted cash	24	**9,280,173**	3,742,736
Cash and cash equivalents	24	**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	27	**1,355,633**	1,355,633
Share premium	27	**140,636,893**	140,636,893
Other reserves	28	**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

As at December 31, 2018

	Note	2018 US$	2017 US$
Liabilities			
Non-current liabilities			
Bank borrowings	30	**21,218,752**	–
Deferred tax liabilities	34	**744,426**	784,826
Other payables and accruals	32	**18,294,396**	5,441,434
Retirement benefit obligations	35	**409,860**	300,299
Deferred income on government grants	36	**4,321,769**	4,912,614
		44,989,203	11,439,173
Current liabilities			
Trade payables	31	**184,284,396**	154,661,624
Other payables and accruals	32	**89,841,251**	71,318,153
Contract liabilities	5	**13,443,145**	–
Due to related parties	39	**2,760,157**	2,423,574
Current income tax liabilities		**8,326,916**	10,435,467
Bank borrowings	30	**216,378,091**	157,830,554
Derivative financial instruments	33	**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

The notes on pages 98 to 176 are an integral part of these consolidated financial statements.

The consolidated financial statements on page 91 to page 176 were approved by the Board of Directors on March 28, 2019 and were signed on its behalf.

Zhu Qiang	**Duan Kaifeng**
Executive Director	*Executive Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2018

		Equity attributable to shareholders of the Company					
	Note	**Share capital US$ (Note 27)**	**Share premium US$ (Note 27)**	**Other reserves US$ (Note 28)**	**Total US$**	**Non-controlling interests US$**	**Total equity US$**
Balance at January 1, 2017		1	–	204,494,563	204,494,564	(586,515)	203,908,049
Comprehensive income							
Profit for the year		–	–	47,462,397	47,462,397	106,011	47,568,408
Other comprehensive income							
– Currency translation difference		–	–	18,380,488	18,380,488	13,945	18,394,433
Total comprehensive income		–	–	65,842,885	65,842,885	119,956	65,962,841
Transactions with shareholders							
Capitalization of share premium		1,016,723	(1,016,723)	–	–	–	–
Issue of ordinary shares upon initial public offering ("IPO")		338,909	141,653,616	–	141,992,525	–	141,992,525
Employee share option schemes – value of employee services	*29*	–	–	18,372	18,372	–	18,372
Proceeds from shares issued		–	–	–	–	275	275
Dividends	*14*	–	–	(11,602,000)	(11,602,000)	(345,287)	(11,947,287)
Transactions with shareholders in total		1,355,632	140,636,893	(11,583,628)	130,408,897	(345,012)	130,063,885
Balance at December 31, 2017		1,355,633	140,636,893	258,753,820	400,746,346	(811,571)	399,934,775

Consolidated Statement of Changes in Equity

For the year ended December 31, 2018

	Note	Equity attributable to shareholders of the Company					
		Share capital US$ (Note 27)	Share premium US$ (Note 27)	Other reserves US$ (Note 28)	Total US$	Non-controlling interests US$	Total equity US$
Balance at January 1, 2018		1,355,633	140,636,893	258,753,820	400,746,346	(811,571)	399,934,775
Comprehensive income							
Profit for the year		–	–	43,059,483	43,059,483	488,350	43,547,833
Other comprehensive income							
– Currency translation difference		–	–	(21,785,427)	(21,785,427)	16,238	(21,769,189)
Total comprehensive income		–	–	21,274,056	21,274,056	504,588	21,778,644
Transactions with shareholders							
Employee share option schemes – value of employee services	29	–	–	1,598,050	1,598,050	–	1,598,050
Dividends	14	–	–	(14,288,279)	(14,288,279)	(114,473)	(14,402,752)
Transactions with shareholders in total		–	–	(12,690,229)	(12,690,229)	(114,473)	(12,804,702)
Balance at December 31, 2018		1,355,633	140,636,893	267,337,647	409,330,173	(421,456)	408,908,717

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	Note	2018 US$	2017 US$
Cash flows from operating activities			
Cash generated from operations	37(a)	356,280	30,503,514
Interest paid		(9,256,109)	(6,487,932)
Income tax paid		(17,963,049)	(11,742,109)
Net cash (used in)/generated from operating activities		(26,862,878)	12,273,473
Cash flows from investing activities			
Purchases of property, plant and equipment		(92,054,703)	(81,867,125)
Proceeds from disposal of property, plant and equipment	37(b)	485,601	105,782
Proceeds from disposal of intangible assets		8,864	–
Purchases of land use rights		(13,383,904)	(8,840,640)
Purchase of intangible assets		(748,501)	(191,352)
(Repayments)/payments of deposits for land use rights		10,612,015	(13,517,493)
(Payments of)/proceeds from derivative financial instruments		(10,086,579)	2,273,114
Repayment of loans by related parties		–	150,000
Purchase of financial assets at fair value through other comprehensive income		(185,903)	–
Purchase of financial assets at fair value through profit or loss		(17,416,333)	(1,145,211)
Proceeds from financial assets at fair value through profit or loss		1,149,620	3,415,050
Interest received		479,183	218,153
Net cash used in investing activities		(121,140,640)	(99,399,722)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		–	141,992,525
Proceeds from borrowings	37(c)	366,863,497	237,724,718
Repayments of borrowings	37(c)	(283,808,169)	(185,621,783)
Loans from related parties	37(c)	–	(6,787,973)
Dividends paid to shareholders of the Company		(14,288,279)	(11,602,000)
Dividends paid to non-controlling interests		(114,473)	(345,287)
Net cash generated from financing activities		68,652,576	175,360,200
Net (decrease)/increase in cash and cash equivalents		(79,350,942)	88,233,951
Cash and cash equivalents at the beginning of year	24	110,737,589	22,964,807
Exchange gain/(loss) on cash and cash equivalents		187,646	(461,169)
Cash and cash equivalents at the end of year	24	31,574,293	110,737,589

The notes on pages 98 to 176 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

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

The Company, an investment holding company, and its subsidiaries (together, "the Group") are principally engaged in the manufacturing and sales of high quality and 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"), a company incorporated in the BVI with limited liability, 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 28 March, 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. 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 assets 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 Note 4.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Changes in accounting policy and disclosures *(Continued)*

(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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Changes in accounting policy and disclosures *(Continued)*

(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: (Continued)

Note i: *(Continued)*

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 (see Note 38). 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 from 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 accounting 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting polices *(Continued)*

(a) Impact on the financial statements *(Continued)*

	December 31, 2017 As originally presented US$	HKFRS 9 US$	HKFRS 15 US$	January 1, 2018 Restated US$
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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting polices *(Continued)*

(a) Impact on the financial statements *(Continued)*

	December 31, 2017 As originally presented US$	HKFRS 9 US$	HKFRS 15 US$	January 1, 2018 Restated 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting polices *(Continued)*

(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 Note 2.11 below. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting polices *(Continued)*

(b) HKFRS 9 Financial Instruments *(Continued)*

(ii) Impairment of financial assets

The Group has trade receivables for sales of products and contract assets 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 and contract assets.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets 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 and contract assets:

	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 and contract assets 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).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting polices *(Continued)*

(c) HKFRS 15 Revenue from Contracts with Customers *(Continued)*

	HKAS 18 carrying amount December 31, 2017 US$	Reclassification US$	HKFRS 15 carrying amount January 1, 2018 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.

(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).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries

2.3.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.1 Consolidation *(Continued)*

(ii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS.

2.3.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in US$.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation *(Continued)*

(b) Transactions and balances *(Continued)*

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss within 'finance expenses – net'. All other foreign exchange gains and losses are presented in statement of profit or loss within 'other losses – net'.

Changes in the fair value of debt securities denominated in foreign currency classified as financial asset at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting currency translation differences are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their estimated residual values of 10% over their estimated useful lives, as follows:

– Buildings	10-20 years
– Machinery and factory equipment	3-10 years
– Vehicles	4-8 years
– Other equipment and fixtures	3-10 years

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment *(Continued)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other (losses)/gains' in the statement of profit or loss.

Construction-in-progress ("CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, costs of plant and machinery, and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for the intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

2.7 Investment properties

Investment properties, principally leasehold office buildings, are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, the Group chooses the cost model to measure all of its investment properties, which are stated at historical costs less accumulated depreciation and accumulated impairment losses, if any. Depreciation of building is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives from 10 to 20 years.

The investment properties' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An investment properties' carrying amount is written down immediately to its recoverable amount if the investment properties' carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the consolidated income statement.

2.8 Land use rights

All land in the PRC is state-owned or collectively-owned and no individual land ownership right exists. The Group's interests in land use rights represent prepaid operating lease payments, which are amortised over the lease terms of 44-50 years using the straight-line method.

2.9 Intangible assets

(a) Licences

Separately acquired licences are shown at historical cost. Licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives of 10 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Intangible assets *(Continued)*

(b) Computer software

Acquired computer software is capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of 3-10 years.

2.10 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Investments and other Financial assets

2.11.1 Classification

From January 1, 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at financial assets at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.11.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Investments and other Financial assets *(Continued)*

2.11.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- Fair value through profit or loss ("FVPL"): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Investments and other Financial assets *(Continued)*

2.11.3 Measurement *(Continued)*

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Derivative instruments held by the Group do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated income statement.

2.11.4 Impairment

From January 1, 2018, the Group assesses the expected credit losses associated with its financial assets on a forward looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 23 for further details.

2.11.5 Accounting policies applied until December 31, 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

Until December 31, 2017, the Group classifies its financial assets in the following categories: at fair value through profit or loss (a), loans and receivables (b), and available for sale (c). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the balance sheet (Notes 2.15 and 2.16).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Investments and other Financial assets *(Continued)*

2.11.5 Accounting policies applied until December 31, 2017 *(Continued)*

Classification (Continued)

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets includes investment in equity instruments that does not have a quoted market price in an active market and whose fair value cannot be reliably measured and must be settled by delivery of such unquoted equity instruments. These investments are measured at cost.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the statement of profit or loss within "Other losses – net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of profit or loss as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of profit or loss as "Other losses – net".

Available-for-sale financial assets

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of profit or loss as part of other income when the Group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value into "other losses – net". The trading derivatives are classified as a current asset or liability.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.11.4 for a description of the Group's impairment policies.

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Current and deferred income tax *(Continued)*

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Employee benefits *(Continued)*

(b) Other employee benefits

In addition to pension obligation, all PRC employees of the Group participate in various employee social security plans, including medical, housing and other welfare benefits, organised and administered by the governmental authorities. According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Group are calculated based on percentages of the total salary of employees (or on other basis), subject to a certain ceiling, and are paid to the labour and social welfare authorities.

The Group has no further payment obligations once the contributions have been paid. The Group's contributions to these plans are charged to the consolidated statements of profit or loss as incurred.

(c) Other post-employment obligations

Some group companies provide post-retirement benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age, the employee's job title and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment based on the present value of the post-retirement benefits, which is determined by discounting the estimated future cash outflows using interest rates of the government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

The current service cost of the post-retirement benefits recognised in the statement of profit or loss in employee benefit expense, reflects the increase in the post-retirement benefits results from employee service in the current year, benefit changes, curtailments and settlements.

2.23 Share-based Payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. Information relating to the scheme is set out in Note 29.

Employee options

The fair value of options granted under the share option scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

– including any market performance conditions (e.g. the entity's share price)

– excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and

– including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Share-based Payments *(Continued)*

Employee options *(Continued)*

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

For equity-settled share-based payment transactions, the Group measures the assets or services received, and the corresponding increase in equity, directly, at the fair value of the assets or services received, unless that fair value cannot be estimated reliably. If the Group cannot estimate reliably the fair value of the assets or services received, the Group will measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

2.24 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised as other income in the consolidated statements of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets are included in non-current liabilities as deferred income and are credited to the consolidated statements of profit or loss on a straight-line basis over the expected useful lives of the related asset.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Revenue recognition

Sales of products

The Group manufactures and sells outdoor leisure products in global market. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. So revenue is recognised at a point of time when the products are shipped to the specific location.

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.

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.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group does not expect to have any contracts where the period between the transfer of the promised goods and services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2.27 Interest income

Interest income on financial assets at amortised cost (2017 – loans and receivables) is calculated using the effective interest method is recognised in the statement of profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 11 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.28 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term (Note 7). The respective leased assets are included in the balance sheet based on their nature.

2.29 Research and development costs

Research costs are expensed as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique products are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development of the product are available; and
- the expenditure attributable to the product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the product cost includes employee costs for new manufacture technology development and an appropriate portion of relevant overheads. Costs associated with maintaining new manufacture technology programmes are recognised as an expense as incurred.

Other development costs that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.30 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors where appropriate.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US$ for certain PRC subsidiaries whose functional currency are Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts, transacted by group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

Exposure

The Group's major exposure to foreign currency risk at the end of the reporting period, against functional currencies adopted by subsidiaries within the Group, was as follows:

	At December 31, 2018		
In US$	**US$**	**HKD**	**RMB**
Cash	**8,805,029**	**2,475,979**	**1,497,199**
Bank borrowings	**63,430,809**	**–**	**–**
Trade payables	**65,714,823**	**–**	**–**
Derivatives financial instruments-assets	**1,031,011**	**–**	**–**
Derivatives financial instruments-liabilities	**22,725,051**	**–**	**–**

	At December 31, 2017		
In US$	US$	HKD	RMB
Cash	28,181,074	481,629	1,698,393
Bank borrowings	38,328,186	–	–
Trade payables	45,963,981	–	–
Derivatives financial instruments-assets	1,794,783	–	–
Derivatives financial instruments-liabilities	3,502,340	–	–

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign exchange risk (Continued)

Amounts recognised in profit or loss

During the year, the following foreign-exchange related amounts were recognised in profit or loss:

	2018 **US$**	2017 US$
Other gains/(losses) – net	**7,886,363**	(7,781,539)
Foreign exchange (losses)/gains on financing activities	**(1,568,988)**	1,313,585
	6,317,375	(6,467,954)

As at December 31, 2018 and 2017, if RMB had weakened/strengthened by 5% against US$, with all other variables held constant, post-tax profit for each year would have changed mainly as a result of foreign exchange gains/losses on translation of US$ denominated cash and cash equivalents, trade receivables, trade payables and bank borrowings in RMB functional currency subsidiaries. Details of the changes are as follows:

	2018 **US$**	2017 US$
For the year:		
Post-tax profit increase/(decrease)		
– Weakened 5% against US$	**(4,535,187)**	1,339,326
– Strengthened 5% against US$	**4,535,187**	(1,339,326)

As at December 31, 2018 and 2017, if RMB had weakened/strengthened by 5% against US$, with all other variables held constant, other comprehensive income for each year would have changed mainly as a result of the translation of financial statements of RMB functional currency subsidiaries to US$. Details of the changes are as follows:

	2018 **US$**	2017 US$
Year ended:		
Other comprehensive income (decrease)/increase		
– Weakened 5% against US$	**(22,156,455)**	(18,982,380)
– Strengthened 5% against US$	**22,156,455**	18,982,380

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk, and if at fixed rates expose the Group to fair value interest-rate risk. The Group's long-term borrowings are at fixed rates. The interest rates and terms of bank borrowings are disclosed in Note 30.

(b) Credit risk

The Group has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents, financial assets at amortised cost, at fair value through comprehensive income (FVOCI) and at fair value through profit or loss (FVPL), favourable derivative financial instruments and deposits with banks and financial institutions.

(i) Risk management

The Group has more than 2,000 customers and does not rely on the orders from certain customers. So the Group has no significant concentration of credit risk. The Group generally grants credit terms of less than 120 days to its customers and 240 days for partial strategic customers. The Group's management performs periodic credit evaluations/reviews of its customers and ensure that sales are made to customers with an appropriate credit history.

To lower the Group's exposure to credit risk, the Group may request 30% -100% deposits from certain of their customers before delivery of goods. In addition, the Group has purchased insurance from China Export and Credit Insurance Corporation ("Sinosure") for most receivables. Sinosure will compensate the Group 90% of uncollected receivables.

The management considers the credit risks in respect of bank deposits are relatively minimal as each counter party is either a state-controlled PRC bank or has a high credit rating commercial bank. The management believes the PRC government is able to support the state-controlled PRC banks in the event of a liquidity difficulty.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(i) Risk management (Continued)

The Group categorises its bank balance and restricted bank deposits into the following:

Group 1 – Including Citi bank (China) Co., Ltd, Hongkong and Shanghai Banking (China) Corporation Limited, etc.

Group 2 – Top 4 banks in the PRC (China Construction Bank, Bank of China Limited, Agricultural Bank of China and Industrial and Commercial Bank of China)

Group 3 – Other commercial banks

	2018	2017
	US$	US$
Group1	**12,972,017**	20,539,639
Group2	**11,590,441**	68,401,456
Group3	**16,175,720**	25,149,747
Total	**40,738,178**	114,090,842

For favourable derivative financial instruments, the management made agreements with bank defined as Group 1 mentioned above and institutions with great credit without any obligations or payments before maturity date.

The financial assets at fair value through comprehensive income (FVOCI) and at fair value through profit or loss (FVPL) are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

The financial assets at amortized cost includes deposits, export tax refund and others. According to historical experience, the management considers the financial assets at amortized cost are low credit risk.

(ii) Impairment of financial assets

Impairment of trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the ageing days.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets (Continued)

Impairment of trade receivables and contract assets *(Continued)*

The expected loss rates are based on the payment profiles of sales over a period of 36 months before December 31, 2018 or January 1, 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at December 31 was determined as follows for trade receivables and contract assets:

December 31, 2018	Within 90 days	91 days to 180 days	181 days to 360 days	Over 1 year	Total
Expected loss rate	0.73%	1.33%	1.86%	4.79%	
Gross carrying amount – trade receivables and contract assets	133,333,982	30,814,255	47,210,782	160,148	211,519,167
Loss allowance	970,965	408,857	877,133	7,665	2,264,620

Trade receivables and contract assets 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 of greater than 1 year past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor, and
- probability that the debtor will enter bankruptcy or financial reorganisation

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets (Continued)

Impairment of other financial assets at amortised cost

Other financial assets at amortised cost include other receivables. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. The change of the impairment methodology to other receivables has immaterial impacts on the existing amount of loss allowances for other receivables as at January 1, 2018.

(c) Liquidity risk

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

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

	Less than 1 year US$	Between 1 and 2 years US$	Between 2 and 5 years US$	Total US$
At December 31, 2018				
Bank borrowings	216,378,091	–	21,218,752	237,596,843
Interest payables for bank borrowings	4,737,822	1,209,133	882,072	6,829,027
Trade payables	184,284,396	–	–	184,284,396
Other payables	56,265,889	17,307,242	576,609	74,149,740
Due to related parties	2,760,157	–	–	2,760,157
	464,426,355	18,516,375	22,677,433	505,620,163
At December 31, 2017				
Bank borrowings	157,830,554	–	–	157,830,554
Interest payables for bank borrowings	2,309,095	–	–	2,309,095
Trade payables	154,661,624	–	–	154,661,624
Other payables	20,034,796	5,199,569	–	25,234,365
Due to related parties	2,423,574	–	–	2,423,574
	337,259,643	5,199,569	–	342,459,212

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For the year ended December 31, 2018

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total equity. Total debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheets), and less cash and cash equivalents and restricted cash. Total equity is 'equity' as shown in the consolidated balance sheets.

The gearing ratios as at December 31, 2018 and 2017 were as follows:

	2018 **US$**	2017 US$
Bank borrowings (Note 30)	**237,596,843**	157,830,554
Less: Cash and cash equivalents (Note 24)	**(31,574,293)**	(110,737,589)
Restricted cash (Note 24)	**(9,280,173)**	(3,742,736)
Total debt	**196,742,377**	43,350,229
Total equity	**408,908,717**	399,934,775
Gearing ratio	**48%**	11%

Gearing ratio increased by 37% compared with 2017 as the Group increased bank borrowings and applied more cash to increase production capacity.

3.3 Fair value estimation

The Group adopts the amendment to HKFRS 13 for financial instruments that are measured in the consolidated balance sheets at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

The following table presents the Group's assets and liabilities that are measured at fair value as at December 31, 2018 and 2017.

	Level 2 US$	Level 3 US$	Total US$
At December 31, 2018			
Financial assets at fair value through other comprehensive income (Note 21)			
– Unlisted equity interests	–	643,539	643,539
Financial assets at fair value through profit or loss (Note 25)			
– Wealth management products	422,213	–	422,213
– Investment fund	17,120,000	–	17,120,000
Derivative financial instruments (Note 33)			
– Forward foreign exchange contracts	1,031,011	–	1,031,011
Total assets	18,573,224	643,539	19,216,763
Derivative financial instruments (Note 33)			
– Forward foreign exchange contracts	22,725,051	–	22,725,051
Total liabilities	22,725,051	–	22,725,051
At December 31, 2017			
Available-for-sale financial assets (Note 21)			
– Unlisted equity interests	–	457,636	457,636
Financial assets at fair value through profit or loss (Note 25)			
– Wealth management products	1,149,620	–	1,149,620
Derivative financial instruments (Note 33)			
– Forward foreign exchange contracts	1,794,783	–	1,794,783
Total assets	2,944,403	457,636	3,402,039
Derivative financial instruments (Note 33)			
– Forward foreign exchange contracts	3,502,340	–	3,502,340
Total liabilities	3,502,340	–	3,502,340

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

Valuation techniques used to derive fair value (Level 2)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques

Fair value measurements using significant unobservable inputs (Level 3)

For the Group's investments in equity securities in level 3 that are not publicly traded, the Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date to assess the fair value.

During the year ended December 31, 2018 and 2017, there were no transfers among levels of the fair value hierarchy used in measuring the fair value of financial instruments, and also no changes in the classification of financial assets as a result of a change in the purpose or use of those assets.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives of property, plant and equipments

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management reassesses the useful lives on a regular basis. Management will increase the depreciation charge where useful lives are shorter than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Income taxes and deferred tax assets/liabilities

The Group is subject to income taxes in several jurisdictions. Judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the periods in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

(c) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to industry cycles. Management reassesses the estimates at each balance sheet date.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

5 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.

5 SEGMENT INFORMATION *(Continued)*

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

	2018 US$	2017 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)	**13,393,013**
Contract liabilities – a refund liability for right of sales return (i)	**50,132**
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. 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

6 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
Camping products	**185,517,360**	**139,861,604**	148,394,591	110,435,026
Sporting goods	**119,315,333**	**81,728,656**	96,346,308	65,597,545
	865,281,075	**634,712,787**	722,546,180	539,770,782

7 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 (Note 36)	**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 were paid to compensate the Group's past marketing efforts.

(ii) The Group lease out its premise to to a third party and provide related services.

8 OTHER LOSSES – NET

	2018 US$	2017 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)

9 EXPENSES BY NATURE

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

	2018 US$	2017 US$
Raw materials and consumables used and change in work-in-progress and finished goods	**461,984,271**	393,476,803
Wages and salaries, social welfare and benefits, including director's emoluments (Note 10)	**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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

10 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTOR'S EMOLUMENTS

	2018 US$	2017 US$
Salaries, wages and bonuses	**132,081,548**	106,079,433
Pension, housing fund, medical insurance and other welfare benefits	**24,201,889**	20,145,884
Share options granted to employee (Note 29)	**1,598,050**	18,372
Post-retirement benefits (Note 35)	**113,747**	122,211
Total employee benefit expenses	**157,995,234**	126,365,900

(a) Pension costs – defined contribution plans

The employees of the Group's subsidiaries established in the PRC participate in defined contribution retirement benefit plans organised by the relevant provincial governments under which the Group is required to make monthly contributions to these plans at certain percentages of the employees' monthly salaries and wages, subject to certain ceilings. The non-PRC employees also participate in various defined contribution pension plans according to relevant local requirements.

(b) Five highest paid individuals

The five highest paid individuals of the Group during the years ended December 31, 2018 and 2017 include 1 and 1 director, respectively, details of whose emoluments are reflected in the analysis shown in Note 42. Details of the total emoluments paid to the remaining 4 highest paid employees were as follows:

	2018 US$	2017 US$
Salaries, wages and bonuses	**1,713,474**	1,287,858
Pension, housing fund, medical insurance and other welfare benefits	**325,881**	93,081
Total employee benefit expense	**2,039,355**	1,380,939

The number of highest paid non-director individuals, whose remuneration fell within the following bands:

	2018	2017
Emolument bands		
Within HKD1,000,000	**–**	1
HKD1,000,001 to HKD1,500,000	**1**	1
Above HKD2,000,000	**3**	2
Total	**4**	4

No emoluments have been paid to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11 FINANCE EXPENSES – NET

	2018 US$	2017 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)

12 INCOME TAX EXPENSE

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

	2018 US$	2017 US$
Current income tax	**11,782,091**	14,493,829
Deferred income tax (Note 34)	**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.

Notes to the Consolidated Financial Statements

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12 INCOME TAX EXPENSE *(Continued)*

(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 applicable tax rate to profits of the consolidated entities as follows:

	2018 US$	2017 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

13 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 US$	2017 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

13 EARNINGS PER SHARE *(Continued)*

(b) Diluted

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

	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

14 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.

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15 SUBSIDIARIES

The investment in subsidiaries are stated at cost. The following sets out the details of the principal subsidiaries of the Company as at December 31, 2018 and 2017:

Company name	Date of incorporation	Country/Place of incorporation and type of legal entity	Registered share capital	Paid up share capital	Directly and indirectly held December 31, 2017	Directly and indirectly held December 31, 2018	Principal activities and place of operation	Note
Bestway Resources Group Company Limited	June 26, 2012	British Virgin Islands, limited liability company	Hong Kong Dollar ("HKD") 1,284,894,418	HKD1,284,894,418	100%	100%	Investment holding company in British Virgin Islands	(i)
Bestway Enterprise Company Limited	April 3, 2003	British Virgin Islands, limited liability company	US$140,550,000	US$140,550,000	100%	100%	Investment holding company and trading of inflatable products and related products in British Virgin Islands	
Bestway (Hong Kong) International Limited	June 2, 2004	Hong Kong, limited liability company	HKD50,000	HKD50,000	100%	100%	Investment holding company and trading of inflatable products and related products in Hong Kong	
Bestway (USA) Holdings, LLC	April 29, 2015	United States, limited liability company	US$3,284,058	US$3,284,058	99.5%	99.5%	Investment management in United States	
Bestway (Nantong) Recreation Corp.	February 2, 2007	Jiangsu, China, wholly owned foreign enterprise	US$182,350,000	US$181,928,279	100%	100%	Manufacturing and trading of inflatable products and related products in Jiangsu, China	
Bestway (Jiangsu) Recreation Corp.	April 5, 2004	Jiangsu, China, Chinese-foreign equity joint ventures	US$22,700,000	US$20,616,460	100%	100%	Manufacturing and trading of inflatable products and related products in Jiangsu, China	

15 SUBSIDIARIES *(Continued)*

Company name	Date of incorporation	Country/Place of incorporation and type of legal entity	Registered share capital	Paid up share capital	Directly and indirectly held December 31, 2017	Directly and indirectly held December 31, 2018	Principal activities and place of operation	Note
Bestway Inflatables & Material Corp.	June 25, 1999	Shanghai, China, Chinese-foreign equity joint ventures	US$16,526,700	US$16,526,700	100%	100%	Manufacturing and trading of inflatable products and related products in Shanghai, China	
Bestway (Shanghai) Investment Management Co., Ltd.	May 28, 2015	Shanghai, China, limited liability company	RMB5,000,000	RMB2,000,000	100%	100%	Investment management in Shanghai, China	
Bestway (Shanghai) Enterprise Corp.	May 18, 2009	Shanghai, China, limited liability company	RMB72,728,600	RMB72,728,600	100%	100%	Trading of inflatable products and related products in Shanghai, China	
Bestway (HaiAn) Outdoor Leisure Products Limited	November 23, 2017	Jiangsu, China, wholly owned foreign enterprise	US$133,580,000	US$53,579,622	100%	100%	Trading of inflatable products and related products in Jiangsu, China	
Great Channel (Yancheng) Outdoor Leisure Products Limited	December 15, 2017	Jiangsu, China, wholly owned foreign enterprise	US$10,000,000	US$10,000,000	100%	100%	Trading of inflatable products and related products in Jiangsu, China	
Bestway (Europe) S.R.L.	January 10, 2001	Milan, Italy, limited liability company	Euro ("EUR") 10,200	EUR 10,200	51%	51%	Trading of inflatable products and related products and after sales service in Milan, Italy	
Bestway (USA), Inc.	June 1, 2001	United States, limited liability company	US$200,000	US$200,000	51%	51%	Trading of inflatable products and related products and after sales service in United States	
Bestway Central & South America Ltd	July 26, 2005	Santiago, Chile, limited liability company	Chilean Peso ("CLP") 1,393,420	CLP 1,393,420	51%	51%	After sales service in Santiago, Chile	
Bestway Deutschland GmbH	August 31, 2011	Neumünster, Germany, limited liability company	EUR 25,000	EUR 25,000	70%	70%	Trading of inflatable products and related products and after sales service in Neumünster, Germany	
Bestway France S.R.L.	August 4, 2011	Valbonne, France, limited liability company	EUR 300,000	EUR 300,000	75%	75%	Trading of inflatable products and related products and after sales service in Valbonne, France	
Bestway Italy S.R.L.	August 1, 2011	Milan, Italy, limited liability company	EUR 100,000	EUR 100,000	100%	100%	Trading of inflatable products and related products and after sales service in Milan, Italy	

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15 SUBSIDIARIES *(Continued)*

Company name	Date of incorporation	Country/Place of incorporation and type of legal entity	Registered share capital	Paid up share capital	Directly and indirectly held December 31, 2017	Directly and indirectly held December 31, 2018	Principal activities and place of operation	Note
Bestway Russia Ltd.	September 27, 2013	Saint-Petersburg, Russia, limited liability company	Russian Ruble ("SUR") 30,650	SUR 30,650	51%	–	Trading of inflatable products and related products and after sales service in Saint-Petersburg, Russia	(ii)
Bestway Australia Pty Limited	November 15, 2013	Silverwater, Australia, limited liability company	Australian Dollar ("AUD") 1,200	AUD 1,200	51%	51%	Trading of inflatable products and related products and after sales service in Silverwater, Australia	
Great Channel Investment Limited	October 10, 2013	British Virgin Islands, limited liability company	US$1	–	100%	100%	Investment holding company in British Virgin Islands	
Bestway Enterprise Company Limited	May 4, 2017	Brazil, limited liability company	US$1	–	100%	100%	Trading of inflatable and related products in Brazil	
Bestway Eastern Europe Sp. z 0.0.	May 30,2018	Warsaw, Poland, limited liability company	Poland zlotys ("PLN") 5,000	PLN 5,000	–	51%	Trading of inflatable products and related products and after sales service in Warsaw, Poland	(iii)

(i) Bestway Resources Group Company Limited is directly held by the Company. Other subsidiaries are indirectly held by the Company.

(ii) On April 5, 2018, the directors of the Company resolved to liquidate the subsidiary. The liquidation was completed in April, 2018.

(iii) Bestway Eastern Europe Sp. z o.o. was incorporated on May 30,2018. The registered capital of Bestway Eastern Europe Sp. z o.o. is PLN 5,000. As at December 31, 2018, the paid share capital of Bestway Eastern Europe Sp. z o.o. is PLN 5,000.

16 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 **US$**	2017 US$
Opening net book value	**25,273,107**	15,695,242
Other additions	**13,383,904**	8,840,640
Transfer to investment properties (Note 18)	**(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 (Note 30).

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

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17 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 18)	(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

17 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings 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$122,007,709) and RMB321,356,844 (equivalent to US$49,180,748) respectively, were pledged to secure short-term bank borrowings (Note 30).

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 (Note 30).

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For the year ended December 31, 2018

18 INVESTMENT PROPERTIES

	2018 US$
Year ended December 31, 2018	
Opening net book amount	–
Transferred from land use right (Note 16)	2,075,573
Transferred from property, plant and equipment (Note 17)	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:

	2018 US$	2017 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 (Note 30).

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

The investment properties are leased to tenants under long-term operating leases with rentals receivable 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 US$	2017 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	–

19 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

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20 FINANCIAL INSTRUMENTS BY CATEGORY

The group holds the following financial instruments:

	Notes	2018 US$	2017 US$
Financial assets			
Financial assets at amortised cost			
Trade receivables	*23*	**209,219,454**	139,607,653
Other receivables excluding prepayments	*26*	**13,767,633**	857,253
Cash and cash equivalents including restricted cash	*24*	**40,854,466**	114,480,325
Financial assets at fair value through other comprehensive income (FVOCI)	*21*	**643,539**	–
Available-for-sale financial assets	*21*	**–**	457,636
Financial assets at fair value through profit or loss (FVPL)	*25*	**17,542,213**	1,149,620
Derivative financial instruments	*33*	**1,031,011**	1,794,783
		283,058,316	258,347,270
Financial liabilities			
Financial liabilities at amortised cost			
Trade payables	*31*	**184,284,396**	154,661,624
Other payables	*32*	**74,149,740**	25,234,365
Due to related parties	*39*	**2,760,157**	2,423,574
Borrowings	*30*	**237,596,843**	157,830,554
Derivative financial instruments	*33*	**22,725,051**	3,502,340
		521,516,187	343,652,457

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The balance as at December 31, 2018 and 2017 included 0.85% unlisted equity interests in Jiangsu Funing Rural Commercial Bank, amounting to US$457,636 (RMB2,790,162) which were previously classified as available-for-sale financial assets.

In 2018, the Group further acquired and held 19% equity investments in Shandong Baishi Le Agel Ecommerce Ltd.,amounting to US$185,903 (RMB1,453,500).

	2018 US$	2017 US$
Unlisted equity interests	**643,539**	457,636

22 INVENTORIES

	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
	331,024,863	250,962,383

The cost of inventories recognised as an expense and included in "Cost of sales" was US$522,007,000 (2017: US$412,092,050). Inventory's write-down of US$1,464,603 (2017: US$1,349,148) was made as at December 31, 2018.

23 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.

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23 TRADE RECEIVABLES *(Continued)*

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

	2018 US$	2017 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 EUR 622,832 (equivalent to US$712,133) (2017: EUR 157,830 (equivalent to US$188,460)) and US$19,566,453 (2017: nil) as securities for the banking facilities and borrowings, as disclosed in Note 30.

(ii) Fair values of trade receivables

Due to the short-term nature of the current receivables, 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 US$	2017 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 Note 3.

24 CASH AND CASH EQUIVALENTS

	2018 US$	2017 US$
Cash on hand	**116,288**	389,483
Cash at bank	**40,738,178**	114,090,842
	40,854,466	114,480,325
Less: Restricted cash (Note)	**(9,280,173)**	(3,742,736)
	31,574,293	110,737,589

Cash at bank and on hand are denominated in the following currencies:

	2018 US$	2017 US$
US$	**18,990,858**	40,509,948
RMB	**15,054,326**	68,033,713
HKD	**3,816,257**	558,162
EUR	**2,495,135**	5,127,856
Other currencies	**497,890**	250,646
	40,854,466	114,480,325

Note:

Restricted bank deposits were mainly pledged as security for issuance of letter of credit, bank acceptance and custom deposits.

25 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 US$	2017 US$
Investment fund	**17,120,000**	–
Wealth management products	**422,213**	1,149,620
	17,542,213	1,149,620

Financial assets at fair value through profit or loss are US$ and EUR denominated financial products.

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other losses-net' in the consolidated statements of profit or loss.

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26 PREPAYMENTS AND OTHER RECEIVABLES

	2018 US$	2017 US$
Prepayments	**5,652,001**	5,819,992
Other receivables	**13,604,050**	15,569,776
Deductible input VAT and prepaid taxation	**27,581,439**	27,317,347
Due from related parties (Note 39)	**361,214**	246,733
Less: allowance for impairment of other receivables	**(145,897)**	(155,134)
	47,052,807	48,798,714
Less: non-current portion:		
Long-term prepayments (i)	**(2,511,845)**	(13,517,493)
Current portion	**44,540,962**	35,281,221

The maximum exposure to credit risk at the reporting dates is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

(i) It represents the prepayment for land use rights.

The Group did not write off any other receivables from third parties or due from related parties (2017: nil).

27 SHARE CAPITAL AND SHARE PREMIUM

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

28 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 14)	(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 14)	(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.

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29 SHARE-BASED PAYMENTS

Employees share option scheme

As approved by the Board meeting on December 18, 2017, 10,000,000 share options were granted to certain employee at an exercise price of HKD3.028 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The employee accepted the share options.

The options are exercisable during the following periods, during which the employees should remain in the Group's employment.

(a) The first tranche of 2,500,000 options are exercisable during the period from December 18, 2018 to December 18, 2022.

(b) The second tranche of 2,500,000 options are exercisable during the period from December 18, 2019 to December 18, 2022.

(c) The third tranche of 2,500,000 options are exercisable during the period from December 18, 2020 to December 18, 2022.

(d) The forth tranche of 2,500,000 options are exercisable during the period from December 18, 2021 to December 18, 2022.

As approved by the Board meeting on March 20, 2018, 19,070,000 share options were granted to certain directors and employees at an exercise price of HKD4.346 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. These directors and employees accepted the share options.

The options are exercisable during the following periods, during which the employees should remain in the Group's employment.

(a) The first tranche of 4,767,500 options are exercisable during the period from March 20, 2019 to March 20, 2023.

(b) The second tranche of 4,767,500 options are exercisable during the period from March 20, 2020 to March 20, 2023.

(c) The third tranche of 4,767,500 options are exercisable during the period from March 20, 2021 to March 20, 2023.

(d) The fourth tranche of 4,767,500 options are exercisable during the period from March 20, 2022 to March 20, 2023.

29 SHARE-BASED PAYMENTS *(Continued)*

Employees share option scheme *(Continued)*

Movements in the number of share options outstanding and their related weighted average exercise prices for the year ended December 31, 2018 and 2017 were as follows:

	2018		2017	
	Weighted average exercise price in HKD	**Number of options**	Weighted average exercise price in HKD	Number of options
At January 1	**3.028**	**10,000,000**	–	–
Granted	**4.346**	**19,070,000**	3.028	10,000,000
At December 31	**3.893**	**29,070,000**	3.028	10,000,000

Share options outstanding as at December 31, 2018 have the following expiry dates and exercise prices:

Expiry date	**Exercise price HKD per share**	**Number of options**
December 18, 2022	3.028	10,000,000
March 20, 2023	4.346	19,070,000
		29,070,000

The total fair value, which was determined by using Binomial Option-Pricing Model, of the options granted under the share option scheme as at the grant date is approximately HKD28,954,106 (equivalent to US$3,695,482).

	Granted on December 18, 2017
Exercise price	HKD3.028
Expected volatility	37.63%
Expected dividend yield	3.17%
Risk free rate	1.56%

	Granted on March 20, 2018
Exercise price	HKD4.346
Expected volatility	37.41%
Expected dividend yield	2.51%
Risk free rate	1.68%

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29 SHARE-BASED PAYMENTS *(Continued)*

Employees share option scheme *(Continued)*

The expected volatility is determined by calculating the historical volatility of the price of listed companies with businesses similar to the Group. The expected dividend yield is determined by the directors based on the expected future performance and dividend policy of the Group.

The share option expense charged to the consolidated statement of profit or loss during the year ended December 31, 2018 and December 31,2017 was approximately HKD12,518,300 (equivalent to US$1,598,050) and HKD143,528 (equivalent to US$18,372).

30 BANK BORROWINGS

	2018 **US$**	2017 US$
Non-current		
Bank borrowings		
– Secured	**21,218,752**	–
Current		
Short-term bank borrowings		
– Secured	**213,454,391**	157,804,962
– Unsecured	**2,923,700**	25,592
	216,378,091	157,830,554
Total borrowings	**237,596,843**	157,830,554

The carrying amounts of the Group's bank borrowings were denominated in the following currencies:

	2018 **US$**	2017 US$
RMB	**160,116,070**	119,326,008
US$	**76,905,563**	38,353,778
Other Currencies	**575,210**	150,768
	237,596,843	157,830,554

30 BANK BORROWINGS *(Continued)*

As at December 31, 2018, the secured bank borrowings were secured as follows:

1> the bank borrowings amounting to RMB12,850,000 (equivalent to US$1,872,304) and EUR 498,265 (equivalent to US$569,707) were secured by trade receivables amounting to US$1,938,654 and EUR 622,832 (equivalent to US$712,133), respectively;

2> the bank borrowings amounting to RMB195,000,000 (equivalent to US$28,412,402) and US$4,322,575, were secured by buildings, land use rights, investment properties with net book value of RMB122,993,810 (equivalent to US$17,920,767), RMB31,546,303 (equivalent to US$4,596,443), and RMB58,186,062 (equivalent to US$8,477,978), respectively.

3> the bank borrowings amounting to US$49,108,234 and RMB581,450,000 (approximately US$84,719,956) were guaranteed by subsidiaries of the Company.

4> the bank borrowings amounting to RMB89,980,074 (equivalent to US$13,110,513) and US$13,470,650 were secured by buildings, land use rights, trade receivables and deposits amounting to RMB88,038,631 (equivalent to US$12,827,636), RMB6,095,594 (equivalent to US$888,156), US$17,627,799 and US$1,443,965, respectively.

5> the bank borrowings amounting to RMB199,628,542 (equivalent to US$29,086,802) and US$10,000,000 were secured by buildings, land use rights, and machinery and factory equipment with net book value of RMB626,330,866 (equivalent to US$91,259,306), RMB154,413,507 (equivalent to US$22,498,762), and RMB79,194,386 (equivalent to US$11,538,989), respectively.

As at December 31, 2017, the secured bank borrowings were secured as follows:

1> the bank borrowing amounting to EUR 126,264 (equivalent to US$150,768) was secured by trade receivables amounting to EUR 157,830 (equivalent to US$188,460);

2> the bank borrowings amounting to RMB372,768,400 (equivalent to US$57,048,820), were secured by buildings, land use rights and machinery and factory equipment with net book value of RMB321,356,844 (equivalent to US$49,180,748), RMB165,139,533 (equivalent to US$25,273,107), RMB10,806,907 (equivalent to US$1,653,899), respectively.

3> the bank borrowings amounting to US$36,328,186 and RMB420,000,000 (approximately US$64,277,188) were guaranteed by subsidiaries of the Company.

As at December 31, 2018 and 2017, the weighted average effective interest rates on borrowings from banks were 4.30% and 4.28%, respectively.

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For the year ended December 31, 2018

30 BANK BORROWINGS *(Continued)*

The Group has the following undrawn borrowing facilities:

	2018 US$	2017 US$
Floating rate:		
– Expiring within one year	**18,895,280**	28,162,119
Fixed rate:		
– Expiring within one year	**140,266,823**	126,393,735
	159,162,103	154,555,854

The exposure of the bank borrowings to interest rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	2018 US$	2017 US$
6 months or less	**129,201,021**	118,475,718
Between 6 and 12 months	**87,177,070**	39,354,836
Between 1 and 2 years	**21,218,752**	–
	237,596,843	157,830,554

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

	2018 US$	2017 US$
Portion of loans due for repayment within 1 year:	**216,378,091**	157,830,554
Over 1 year	**21,218,752**	–
	237,596,843	157,830,554

31 TRADE PAYABLES

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

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

	2018 US$	2017 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 US$	2017 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

32 OTHER PAYABLES AND ACCRUALS

	2018 US$	2017 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.

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33 DERIVATIVE FINANCIAL INSTRUMENTS

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
	US$	US$	US$	US$
Forward foreign exchange contracts (i)	**1,031,011**	**22,725,051**	1,794,783	3,502,340

(i) The notional principal amounts of the RMB and EUR forward foreign exchange contracts at December 31, 2018 and 2017 were US$596,389,640 and US$63,538,950, respectively.

34 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 12)	**(16,973)**	1,768,944
At end of year	**3,888,496**	3,850,245

34 DEFERRED INCOME TAX *(Continued)*

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 US$	Tax losses US$	Fair value losses US$	Unrealised profits US$	Deferred government grants US$	Share-based payments US$	Total 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

	Rental 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	(607,665)	222,827	54,815
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.

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35 RETIREMENT BENEFIT OBLIGATIONS

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

	2018 US$	2017 US$
Liability for:		
– post-retirement benefit obligations	**409,860**	300,299
Statement of profit or loss charge included in operating profit for:		
– post-retirement benefit obligations	**127,001**	130,842

The Group operates post-retirement benefit obligations in the PRC. The level of benefits provided depends on members' length of service and their job titles.

The current service cost of the post-retirement benefits recognised in the statement of profit or loss in employee benefit expense, reflects the increase in the post-retirement benefits resulting from employee service in the current year, benefit changes, curtailments and settlements.

The movement in the post-retirement benefit obligations is as follows:

	Present value of obligation US$
At January 1, 2017	155,932
Current service cost	122,211
Interest expense	8,631
Currency translation differences	13,525
At December 31, 2017	300,299
Current service cost	113,747
Interest expense	13,254
Currency translation difference	(17,440)
At December 31, 2018	409,860

The significant assumptions were as follows:

	2018	2017
Discount rate	**5%**	5%

35 RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

The sensitivity of the post-retirement benefit obligations to changes in the weighted principal assumptions is:

	Impact on post-retirement benefits obligation		
2018	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.5%**	**Decrease by 0.6%**	**Increase by 0.6%**

	Impact on post-retirement benefits obligation		
2017	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 0.6%	Increase by 0.6%

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36 DEFERRED INCOME ON GOVERNMENT GRANTS

	Deferred Income on government grants US$
Year ended December 31, 2017	
Opening net book amount	–
Government grants received	4,799,707
Credited to the consolidated statements of profit or loss (Note 7)	(29,720)
Currency translation differences	142,627
Closing net book amount	4,912,614
At December 31, 2017	
Cost	4,943,222
Accumulated amortisation	(30,608)
Net book amount	4,912,614
Year ended December 31,2018	
Opening net book amount	**4,912,614**
Government grants received	**139,027**
Credited to the consolidated statements of profit or loss (Note 7)	**(503,103)**
Currency translation differences	**(226,769)**
Closing net book amount	**4,321,769**
At December 31, 2018	
Cost	**4,855,480**
Accumulated amortisation	**(533,711)**
Net book amount	**4,321,769**

In 2018 and 2017, certain subsidiaries of the Group received government grants with total amount of RMB931,300 (equivalent to US$139,027) and RMB32,300,000 (equivalent to US$4,799,707). The government grant was recorded as deferred government grants and credited to the consolidated statement of profit or loss on a straight-line basis over the expected useful lives of the corresponding property, plant and equipment.

37 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to cash generated from operations

	2018 US$	2017 US$
Profit before income tax	**55,346,897**	60,293,293
Adjustments for:		
– Depreciation of property, plant and equipment (Note 17)	**16,860,638**	12,699,314
– Depreciation of investment properties (Note 18)	**188,649**	–
– Amortisation of land use right (Note 16)	**757,220**	480,288
– Amortisation of intangible assets (Note 19)	**228,017**	79,596
– Losses on disposal of property, plant and equipment (Note 8)	**389,330**	441,232
– Share-based payment (Note 29)	**1,598,050**	18,372
– Fair value losses/(gains) on derivative financial instruments (Note 8)	**30,073,062**	(1,898,795)
– Fair value gains on financial assets at fair value through profit or loss (Note 8)	**(125,880)**	(4,409)
– Provision for impairment of receivables	**734,099**	322,552
– Write-down of inventories (Note 9)	**625,323**	(314,761)
– Finance expenses – net (Note 11)	**9,507,463**	3,665,221
– Foreign exchange (gains)/losses on operating activities (Note 8)	**(7,886,363)**	8,242,708
– Deferred government grants (Note 36)	**(503,103)**	(29,720)
Changes in working capital (excluding the currency translation differences on consolidation):		
– Increase in pledged bank deposits	**(5,537,437)**	(588,815)
– Increase in inventories	**(80,687,803)**	(88,283,086)
– Increase in trade receivables	**(70,347,745)**	(45,323,070)
– Increase in contract assets	**(35,093)**	–
– Increase in prepayments and other receivables	**(8,865,579)**	(5,509,196)
– Increase in trade payables	**29,622,772**	64,238,605
– Increase in contract liabilities	**13,443,145**	–
– Increase in other payables and accruals	**14,634,035**	21,710,169
– Increase in due to related parties	**336,583**	264,016
Cash generated from operations	**356,280**	30,503,514

(b) In the consolidated cash flow statements, proceeds from disposal of property, plant and equipment comprise:

	2018 US$	2017 US$
Net book value (Note 17)	**874,931**	547,014
Losses on disposal of property, plant and equipment (Note 8)	**(389,330)**	(441,232)
Proceeds from disposal of property, plant and equipment	**485,601**	105,782

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

37 CASH GENERATED FROM OPERATIONS *(Continued)*

(c) This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2018 US$	2017 US$
Cash and cash equivalents (Note 24)	**31,574,293**	110,737,589
Borrowings – repayable within one year (Note 30)	**(216,378,091)**	(157,830,554)
Borrowings – repayable after one year (Note 30)	**(21,218,752)**	–
	(206,022,550)	(47,092,965)

	Borrowings (Current) US$	Borrowings (Non-current) US$	Loans from related parties (Current) US$	Total US$
As of January 1, 2017	94,603,239	51,204	6,787,973	101,442,416
Currency translations	11,069,755	3,421	–	11,073,176
Cash flows				
– inflow from financing activities	237,724,718	–	–	237,724,718
– outflow from financing activities	(185,567,158)	(54,625)	(6,787,973)	(192,409,756)
As of December 31, 2017	157,830,554	–	–	157,830,554
Currency translations	**(3,289,039)**	**–**	**–**	**(3,289,039)**
Cash flows				
– inflow from financing activities	**345,644,745**	**21,218,752**	**–**	**366,863,497**
– outflow from financing activities	**(283,808,169)**	**–**	**–**	**(283,808,169)**
As of December 31, 2018	**216,378,091**	**21,218,752**	**–**	**237,596,843**

38 COMMITMENTS

(a) Capital commitments

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

	2018 US$	2017 US$
Contracted but not provided for Property, plant and equipment	**1,891,773**	23,389,241

(b) Commitments under operating leases

As at December 31, 2018 and 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2018 US$	2017 US$
No later than 1 year	**2,128,754**	958,669
Later than 1 year and no later than 2 years	**844,176**	575,688
Later than 2 years and less than 5 years	**1,842,846**	96,000
	4,815,776	1,630,357

39 RELATED PARTY TRANSACTIONS

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

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the year ended December 31, 2018 and 2017, and balances arising from related party transactions as at the respective balance sheet dates.

Name and relationship with related parties are set out below:

Related party	Relationship
Great Access	Ultimate holding company
Mr. Zhu Qiang	One of the controlling shareholders
Ms. Liu Xiamin	Immediate family member of Mr. Zhu Qiang
Outland Enterprise	One of the shareholders
Patrizio Fumagalli	One of the shareholders
Scrindale Limited	Entity controlled by ultimate controlling shareholder
Great Success	Immediate holding company
Hong Kong Greatwall Enterprises Limited ("Greatwall")	Entity controlled by ultimate controlling shareholder
Hong Kong Anson Enterprise Limited ("Anson Enterprise")	Entity controlled by ultimate controlling shareholder
Shanghai Shitong Plastic Production Factory ("Shanghai Shitong")	Entity controlled by a relative of the ultimate controlling shareholder
Shanghai Yaming Plastic Production Factory ("Shanghai Yaming")	Entity controlled by a relative of the ultimate controlling shareholder
Shanghai Mingwei Printing Company Limited ("Shanghai Mingwei")	Entity controlled by a relative of the ultimate controlling shareholder
Shanghai Jiufeng Plastic Production Company Limited ("Shanghai Jiufeng")	Entity controlled by a relative of the ultimate controlling shareholder
Shanghai Kailiang Plastic Production Company Limited ("Shanghai Kailiang")	Entity controlled by a relative of the ultimate controlling shareholder
Shanghai Jiemao Plastic Company Limited ("Shanghai Jiemao")	Entity controlled by a relative of the ultimate controlling shareholder
Nantong Jiemao Plastic Company Limited ("Nantong Jiemao")	Entity controlled by a relative of the ultimate controlling shareholder

Notes to the Consolidated Financial Statements

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39 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with related parties

Continuing transactions

(i) Purchases

	2018 US$	2017 US$
– Shanghai Shitong	**2,037,293**	1,899,873
– Shanghai Mingwei	**1,454,417**	1,301,897
– Nantong Jiemao	**1,311,986**	565,894
– Shanghai Yaming	**1,198,852**	1,036,565
– Shanghai Jiufeng	**741,052**	752,995
– Shanghai Kailiang	**–**	520,892
– Shanghai Jiemao	**–**	289,116
	6,743,600	6,367,232

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

(ii) Key management compensation:

	2018 US$	2017 US$
Salaries, bonus and other welfares	**1,271,007**	1,729,462
Share options granted	**–**	18,372
	1,271,007	1,747,834

Discontinued transactions

(iii) Commission

	2018 US$	2017 US$
– Great Access	**–**	135,698

In accordance with the agreement signed on January 1, 2016, in return for the publicity and brand marketing service Great Access provided in Central and South America, Asia and Australia, Bestway Shanghai agreed to pay certain commission charges to Great Access.

39 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties

(i) Amount due from related parties:

	2018 US$	2017 US$
– Patrizio Fumagalli	**360,878**	246,733
– Greatwall	**336**	–
	361,214	246,733

The amounts due from related parties were non-trade in nature, unsecured, non-interest bearing and had no fixed repayment term as at December 31, 2018 and 2017.

(ii) Amount due to related parties

	2018 US$	2017 US$
Trade payables		
– Shanghai Shitong	**841,015**	524,719
– Nantong Jiemao	**766,895**	607,151
– Shanghai Yaming	**712,962**	576,787
– Shanghai Mingwei	**403,861**	412,590
– Shanghai Jiufeng	**35,424**	255,152
– Shanghai Jiemao	**–**	27,687
– Shanghai Kailiang	**–**	18,747
	2,760,157	2,422,833
Other payables		
– Anson Enterprise	**–**	741
	2,760,157	2,423,574

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39 RELATED PARTY TRANSACTIONS *(Continued)*

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

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

As at December 31, 2018 and 2017, the ageing analysis of the above trade payables due to related parties based on invoice date was as follows:

	2018	2017
	US$	US$
Within 3 months	**2,753,318**	2,342,602
4 to 6 months	**6,839**	12,361
7 to 12 months	**–**	11,279
1 – 2 years	**–**	56,591
	2,760,157	2,422,833

40 CONTINGENCIES

As at December 31, 2018, there are two outstanding intellectual property rights claims against some of our subsidiaries. According to Morgan, Lewis & Bockius LLP, the legal advisors of the Group for the claim, the Group could potentially face liability not exceeding the value of reasonable royalty or such competitor's lost profits for the use of the alleged invention plus potential legal fees and costs, and interest which are not expected to be significant. As such, these legal proceedings individually or in aggregate would not have material financial or operational adverse impact on the Group.

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	2018 US$	2017 US$
ASSETS		
Non-current assets		
Investments in subsidiaries	**166,424,889**	164,826,839
Property, plant and equipment	**4,660**	–
	166,429,549	164,826,839
Current assets		
Prepayments and other receivables	**9,318,937**	23,525,256
Cash and cash equivalents	**439,249**	174,761
	9,758,186	23,700,017
Total assets	**176,187,735**	188,526,856
EQUITY		
Share capital	**1,355,633**	1,355,633
Share premium	**140,636,893**	140,636,893
Other reserves	**28,983,171**	41,630,029
Total equity	**170,975,697**	183,622,555
LIABILITIES		
Current liabilities		
Other payables and accruals	**5,212,038**	4,904,301
Total liabilities	**5,212,038**	4,904,301
Total equity and liabilities	**176,187,735**	188,526,856
Net current assets	**4,546,148**	18,795,716
Total assets less current liabilities	**170,975,697**	183,622,555

The balance sheet of the Company was approved by the Board of Directors on March 28, 2019 and were signed on its behalf.

Director *Director*

Notes to the Consolidated Financial Statements

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41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Company	Retained earnings US$	Other reserves US$	Total US$
Balance at January 1 2017	24,308,466	–	24,308,466
Profit for the year	28,170,598	–	28,170,598
Employees share option scheme:			
Value of employee services (Note 29)	–	18,372	18,372
Currency translation differences	734,593	–	734,593
Dividends (Note 14)	(11,602,000)	–	(11,602,000)
Balance at December 31, 2017	41,611,657	18,372	41,630,029
Profit for the year	110,729	–	110,729
Employees share option scheme:			
Value of employee services (Note 29)	–	1,598,050	1,598,050
Currency translation differences	(67,358)	–	(67,358)
Dividends (Note 14)	(14,288,279)	–	(14,288,279)
Balance at December 31, 2018	27,366,749	1,616,422	28,983,171

42 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended December 31, 2018

Name of Director	Fees US$	Salaries US$	Bonus US$	Pension, housing fund, medical insurance and other welfare benefits US$	Total US$
Executive directors					
Zhu Qiang	49,075	46,771	54,368	5,525	155,739
Liu Feng	–	40,490	29,740	3,224	73,454
Tan Guozheng	–	44,326	33,057	3,224	80,607
Duan Kaifeng	–	41,721	23,105	3,224	68,050
Independent non-executive directors					
Dai Guo Qiang	30,866	–	–	–	30,866
Lam Yiu Kin	29,916	–	–	–	29,916
Yao Zhi Xian	30,866	–	–	–	30,866
	140,723	173,308	140,270	15,197	469,498

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42 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

For the year ended December 31, 2017

Name of Director	Fees US$	Salaries US$	Bonus US$	Pension, housing fund, medical insurance and other welfare benefits US$	Total US$
Executive directors					
Zhu Qiang	49,124	48,686	55,881	5,394	159,085
Liu Feng	–	41,280	28,771	3,091	73,142
Tan Guozheng	–	44,123	29,646	3,977	77,746
Duan Kaifeng	–	42,410	19,152	3,091	64,653
Independent non-executive directors					
Dai Guo Qiang	5,087	–	–	–	5,087
Lam Yiu Kin	4,273	–	–	–	4,273
Yao Zhi Xian	5,087	–	–	–	5,087
	63,571	176,499	133,450	15,553	389,073

(i) During the year ended December 31, 2018, Mr. Zhu Qiang was the chairman, executive director, and chief executive officer of the Company.

(ii) During the year ended December 31, 2018, Mr. Liu Feng was the executive director and the executive vice president of the Company.

(iii) Mr. Tan Guozheng was appointed as a director and vice president of the Company on March 31, 2014, and was re-designated as the executive director on May 15, 2017.

(iv) Mr. Duan Kaifeng was appointed as the chief financial officer of the Company on May 10, 2017.

(v) Mr. Dai Guoqiang, Mr. Lam Yiu Kin and Mr. Yao Zhixian were appointed as the Company's independent non-executive directors on October 18, 2017.

42 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertaking		Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking		Total	
2018	2017	**2018**	2017	**2018**	2017
US$	US$	**US$**	US$	**US$**	US$
140,723	63,571	**328,775**	339,949	**469,498**	403,520

(b) Directors' retirement benefits

There were no retirement benefits paid to any director during or at any time for the year ended December 31, 2018 and 2017.

(c) Directors' termination benefits

There were no termination benefits paid to any director during or at any time for the year ended December 31, 2018 and 2017.

(d) Consideration provided to third parties for making available directors' services

During the year ended December 31 2018 and 2017, the Company provided no consideration to third parties for making available director's services.

(e) Information about loans, quasi-loans and other dealings in favour of directors

There were no loans, quasi-loans and other dealings entered into between the Group and the directors and in favour of the directors as at December 31, 2018 and 2017, or at any time for the year ended December 31, 2018 and 2017.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at December 31, 2018 and 2017 or at any time for the year ended December 31, 2018 and 2017.

BESTWAY IN THE LAST FIVE YEARS

CONSOLIDATED RESULTS

	For the year ended December 31,				
	2018	2017	2016	2015	2014
	US$	US$	US$	US$	US$
Revenue from contracts with customers	**865,281,075**	722,546,180	584,529,415	513,531,678	467,913,702
Cost of sales	**(634,712,787)**	(539,770,782)	(419,992,751)	(401,486,876)	(371,065,671)
Gross profit	**230,568,288**	182,775,398	164,536,664	112,044,802	96,848,031
Selling and distribution expenses	**(84,432,466)**	(68,863,132)	(60,703,611)	(48,002,896)	(44,384,298)
General and administrative expenses	**(70,668,029)**	(60,243,444)	(48,625,082)	(41,799,682)	(35,135,256)
Net impairment losses on financial and contract assets	**(734,099)**	(322,552)	–	–	–
Other income	**11,248,714**	16,846,940	2,101,390	5,428,026	1,837,656
Other (losses)/gains — net	**(21,128,048)**	(6,234,696)	4,667,495	919,967	(4,431,125)
Operating profit	**64,854,360**	63,958,514	61,976,856	28,590,217	14,735,008
Finance income	**479,183**	218,153	491,698	1,344,500	660,496
Finance expenses	**(9,986,646)**	(3,883,374)	(5,426,968)	(8,080,740)	(3,527,747)
Finance expenses — net	**(9,507,463)**	(3,665,221)	(4,935,270)	(6,736,240)	(2,867,251)
Profit before income tax	**55,346,897**	60,293,293	57,041,586	21,853,977	11,867,757
Income tax expense	**(11,799,064)**	(12,724,885)	(14,021,928)	(6,664,013)	(3,437,385)
Profit for the year	**43,547,833**	47,568,408	43,019,658	15,189,964	8,430,372
Profit attributable to:					
Shareholders of the Company	**43,059,483**	47,462,397	43,339,569	16,459,544	8,174,598
Non-controlling interests	**488,350**	106,011	(319,911)	(1,269,580)	255,774
	43,547,833	47,568,408	43,019,658	15,189,964	8,430,372

CONSOLIDATED ASSETS AND LIABILITIES

	As of December 31,				
	2018	2017	2016	2015	2014
	US$	US$	US$	US$	US$
Total assets	**991,656,927**	811,545,660	462,981,115	472,610,997	468,743,228
Total liabilities	**582,748,210**	411,610,885	259,073,066	293,093,957	294,201,844
Total equity	**408,908,717**	399,934,775	203,908,049	179,517,040	174,541,384

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

JOINT COMPANY SECRETARIES

Mr. Zhao Wei (趙煒)
Ms. Choy Yee Man (蔡綺文)

AUTHORISED REPRESENTATIVES

Mr. Liu Feng (劉峰)
Ms. Choy Yee Man (蔡綺文)

LISTING INFORMATION AND STOCK CODE

The Stock Exchange of Hong Kong Limited
Stock Code: 3358

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COMPANY'S WEBSITE

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AUDITOR

PricewaterhouseCoopers

HONG KONG LEGAL ADVISOR

Cleary Gottlieb Steen & Hamilton (Hong Kong)

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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