**Bestway Global Holding Inc.**
**榮威國際控股有限公司**
*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 3358)**

# ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

## FINANCIAL HIGHLIGHTS

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2019** | 2018 | Change |
| | ***US$*** | *US$* | *(%)* |
| **Revenue from contracts with customers** | **934,626,618** | 865,281,075 | 8.0 |
| **Gross profit** | **247,999,562** | 230,568,288 | 7.6 |
| **Gross profit margin** | **26.5%** | 26.6% | (0.1)[(1)] |
| **Net profit** | **47,575,906** | 43,547,833 | 9.2 |
| **Net profit margin** | **5.1%** | 5.0% | 0.1[(1)] |
| **Earnings per share – Basic** | **0.0422** | 0.0407 | 3.7 |
| **Earnings per share – Diluted** | **0.0422** | 0.0406 | 3.9 |
| **Proposed final dividend per share** | **0.0084** | 0.0123 | (31.7) |

*Note 1:* These figures represent the change of percentage points.

## FINANCIAL RESULTS

The board of directors (the "**Directors**") (the "**Board**") of Bestway Global Holding Inc. (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "**Group**", "**we**", "**us**" **or** "**our**") for the year ended December 31, 2019 (the "**year under review**") together with comparative figures for the year ended December 31, 2018 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | Note | **For the year ended December 31, 2019** *US$* | 2018 *US$* |
|---|---|---|---|
| Revenue from contracts with customers | *4* | **934,626,618** | 865,281,075 |
| Cost of sales | *4,7* | **(686,627,056)** | (634,712,787) |
| **Gross profit** | | **247,999,562** | 230,568,288 |
| Selling and distribution expenses | *7* | **(106,162,884)** | (84,432,466) |
| General and administrative expenses | *7* | **(75,237,596)** | (70,668,029) |
| Net impairment losses on financial assets | | **(3,094,179)** | (734,099) |
| Other income | *5* | **14,808,080** | 17,764,192 |
| Other expenses | *5* | **(6,841,295)** | (6,515,478) |
| Other gains/(losses) – net | *6* | **3,821,357** | (21,128,048) |
| **Operating profit** | | **75,293,045** | 64,854,360 |
| Finance income | | **–** | 479,183 |
| Finance expenses | | **(15,384,358)** | (9,986,646) |
| **Finance expenses – net** | *8* | **(15,384,358)** | (9,507,463) |
| **Profit before income tax** | | **59,908,687** | 55,346,897 |
| Income tax expense | *9* | **(12,332,781)** | (11,799,064) |
| **Profit for the year** | | **47,575,906** | 43,547,833 |
| **Profit attributable to:** | | | |
| Shareholders of the Company | | **44,715,005** | 43,059,483 |
| Non-controlling interests | | **2,860,901** | 488,350 |
| | | **47,575,906** | 43,547,833 |
| **Earnings per share for profit attributable to shareholders of the Company for the year** | | | |
| – Basic earnings per share | *10* | **0.0422** | 0.0407 |
| – Diluted earnings per share | *10* | **0.0422** | 0.0406 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | For the year ended December 31, | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$*** | *US$* |
| **Profit for the year** | **47,575,906** | 43,547,833 |
| **Other comprehensive income** | | |
| *Items that may be subsequently reclassified to profit or loss* | | |
| Currency translation differences | **(8,960,340)** | (21,769,189) |
| **Other comprehensive income for the year, net of tax** | **(8,960,340)** | (21,769,189) |
| **Total comprehensive income for the year** | **38,615,566** | 21,778,644 |
| **Attributable to:** | | |
| – Shareholders of the Company | **35,738,582** | 21,274,056 |
| – Non-controlling interests | **2,876,984** | 504,588 |
| **Total comprehensive income for the year** | **38,615,566** | 21,778,644 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | As of December 31, | |
|---|---|---|---|
| | | **2019** | 2018 |
| | *Note* | ***US$*** | *US$* |
| **Assets** | | | |
| **Non current assets** | | | |
| Land use rights | *12* | **–** | 34,359,812 |
| Property, plant and equipment | *13* | **303,867,108** | 295,739,921 |
| Right-of-use assets | *14* | **39,818,377** | – |
| Investment properties | *15* | **9,384,023** | 8,477,978 |
| Intangible assets | | **808,247** | 1,042,848 |
| Deferred tax assets | *21* | **5,227,224** | 4,632,922 |
| Financial asset at fair value through other comprehensive income | | **649,231** | 643,539 |
| Prepayments and other receivables | | **2,471,158** | 2,511,845 |
| | | **362,225,368** | 347,408,865 |
| **Current assets** | | | |
| Inventories | | **304,905,540** | 331,024,863 |
| Contract assets | *4* | **158,585** | 35,093 |
| Trade receivables | *16* | **190,416,358** | 209,219,454 |
| Prepayments and other receivables | | **39,136,876** | 44,540,962 |
| Financial assets at fair value through profit or loss | | **517,203** | 17,542,213 |
| Derivative financial instruments | | **1,591,113** | 1,031,011 |
| Restricted cash | | **9,279,173** | 9,280,173 |
| Cash and cash equivalents | | **59,304,050** | 31,574,293 |
| | | **605,308,898** | 644,248,062 |
| **Total assets** | | **967,534,266** | 991,656,927 |
| **Equity and liabilities** | | | |
| **Equity attributable to shareholders of the Company** | | | |
| Share capital | *17* | **1,355,633** | 1,355,633 |
| Share premium | *17* | **140,636,893** | 140,636,893 |
| Other reserves | *18* | **291,180,977** | 267,337,647 |
| | | **433,173,503** | 409,330,173 |
| **Non-controlling interests** | | **2,344,618** | (421,456) |
| **Total equity** | | **435,518,121** | 408,908,717 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

| | | As of December 31, | |
|---|---|---|---|
| | | **2019** | 2018 |
| | *Note* | ***US$*** | *US$* |
| **Liabilities** | | | |
| **Non current liabilities** | | | |
| Bank borrowings | | **111,981,460** | 21,218,752 |
| Lease liabilities | *14* | **1,221,099** | – |
| Deferred tax liabilities | *21* | **806,372** | 744,426 |
| Other payables and accruals | | **4,194,451** | 18,294,396 |
| Retirement benefit obligations | | **557,226** | 409,860 |
| Deferred income on government grants | | **4,741,050** | 4,321,769 |
| | | **123,501,658** | 44,989,203 |
| **Current liabilities** | | | |
| Trade payables | *19* | **159,738,961** | 184,284,396 |
| Other payables and accruals | *20* | **76,574,402** | 89,841,251 |
| Contract liabilities | *4* | **15,793,786** | 13,443,145 |
| Due to related parties | | **2,358,424** | 2,760,157 |
| Current income tax liabilities | | **10,066,126** | 8,326,916 |
| Bank borrowings | | **139,959,769** | 216,378,091 |
| Lease liabilities | *14* | **639,942** | – |
| Derivative financial instruments | | **3,383,077** | 22,725,051 |
| | | **408,514,487** | 537,759,007 |
| **Total liabilities** | | **532,016,145** | 582,748,210 |
| **Total equity and liabilities** | | **967,534,266** | 991,656,927 |
| **Net current assets** | | **196,794,411** | 106,489,055 |
| **Total assets less current liabilities** | | **559,019,779** | 453,897,920 |

# NOTES TO THE FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

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

The Company, an investment holding company, and its subsidiaries are principally engaged in the manufacturing and sales of high quality and innovation 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 member through Great Access Industry Inc. ("**Great Access**") and Great Success Enterprise Holdings Limited ("**Great Success**").

These consolidated financial statements are presented in United States dollars ("**US$**"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on March 25, 2020.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements will be set out in the 2019 annual report. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for the financial 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 will be disclosed in the 2019 annual report.

***Changes in accounting policy and disclosures***

*(a)* *New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2019:

| | | Effective for accounting year beginning on or after |
|---|---|---|
| HKFRS 16 | Leases | January 1, 2019 |
| 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 |
| HKFRIC 23 | Uncertainty over Income Tax Treatments | January 1, 2019 |
| Annual Improvements to HKFRS Standards 2015-2017 Cycle | HKFRS 3 Business Combinations<br>HKFRS 11 Joint Arrangements<br>HKAS 23 Borrowing Cost | January 1, 2019 |

The Group had to change its accounting policies as a result of the adoption of HKFRS 16, but not restated comparative for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The impact of the adoption of this standard and accounting policy are disclosed in Note 2.2 below. The other newly adopted standards or amendments listed above did not have material impact on these financial statements.

*(b)* Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

| | | Effective for accounting year beginning on or after |
|---|---|---|
| HKFRS 17 | Insurance Contracts | January 1, 2021 |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material | January 1, 2020 |
| Amendments to HKFRS 3 | Definition of a Business | January 1, 2020 |
| Revised Conceptual Framework | Revised Conceptual Framework for Financial Reporting | January 1, 2020 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | To be determined |

## 2.2 Changes in accounting polices

This note explains the impact of the adoption of HKFRS 16 Lease on the Group's financial statements and discloses the new accounting policies that have been applied from January 1, 2019 below.

The Group has adopted HKFRS 16 from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on January 1, 2019. The new accounting policies are disclosed in the 2019 annual report.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5%.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

### *(i) Practical expedients applied*

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics

- reliance on previous assessments on whether leases are onerous

- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 – Determining whether an Arrangement contains a Lease.

### *(ii) Measurement of lease liabilities*

| | *US$* |
|---|---|
| Operating lease commitments disclosed as at December 31, 2018 | 4,815,776 |
| Less: | |
| Short-term leases recognised on a straight-line basis as expense | (1,149,528) |
| Leases terminated in advance | (2,551,696) |
| | 1,114,552 |
| Discounted using the lessee's incremental borrowing rate as at the date of initial application: | |
| **Lease liability recognised as at January 1, 2019** | 926,797 |
| Of which are: | |
| Current lease liabilities | 143,185 |
| Non-current lease liabilities | 783,612 |
| | 926,797 |

### *(iii) Measurement of right-of-use assets*

The right-of-use assets were measured at the amount equal to the lease liability adjusted by the amount of any prepaid rental expenses relating to that lease recognised in the balance sheet as at January 1, 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

### *(iv) Adjustments recognized in the balance sheet on January 1, 2019*

The change in accounting policy affected the following items in the balance sheet on January 1, 2019 (Note 14):

- Right-of-use assets – increase by US$35,286,609
- Land use right – decrease by US$34,359,812
- Current lease liabilities – increase by US$143,185
- Non-current lease liabilities – increase by US$783,612

There is no impact on retained earnings on January 1, 2019.

## 3 SEGMENT INFORMATION

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

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

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

| | **For the year ended December 31,** | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$*** | *US$* |
| Europe *(i)* | **498,470,160** | 407,570,231 |
| North America *(ii)* | **241,937,543** | 252,149,607 |
| Asia Pacific *(iii)* | **71,180,049** | 80,778,484 |
| Including: Mainland China | **22,090,043** | 26,242,170 |
| Rest of the world *(iv)* | **123,038,866** | 124,782,753 |
| Total | **934,626,618** | 865,281,075 |

No individual customer's revenue exceeds 10% of the Group's total revenue for each of the years ended December 31, 2019 and 2018.

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

| | **As at December 31,** | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$*** | *US$* |
| Europe *(i)* | **3,917,455** | 2,122,977 |
| North America *(ii)* | **3,149,845** | 3,203,053 |
| Asia Pacific *(iii)* | **349,074,569** | 336,806,239 |
| Including: Mainland China | **340,475,925** | 336,733,455 |
| Rest of the world *(iv)* | **207,044** | 135 |
| Total | **356,348,913** | 342,132,404 |

*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.

## 4 REVENUE FROM CONTRACTS WITH CUSTOMERS AND COST OF SALES

| | **For the year ended December 31,** | | | |
|---|---|---|---|---|
| | **2019** | | 2018 | |
| | **Revenue** | **Cost of sales** | Revenue | Cost of sales |
| | ***US$*** | ***US$*** | *US$* | *US$* |
| Above-ground Pools & Portable Spas | **449,551,889** | **332,061,534** | 372,973,563 | 281,578,203 |
| Recreation Products | **189,630,615** | **135,805,635** | 187,474,819 | 131,544,324 |
| Camping Products | **176,139,829** | **139,116,930** | 185,517,360 | 139,861,604 |
| Sporting Products | **119,304,285** | **79,642,957** | 119,315,333 | 81,728,656 |
| | **934,626,618** | **686,627,056** | 865,281,075 | 634,712,787 |

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

| | **As at December 31,** | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$*** | *US$* |
| Current contract assets relating to its right to recover products from customers on settling the refund liability *(i)* | **158,585** | 35,093 |
| Loss allowance | **–** | – |
| Total contract assets | **158,585** | 35,093 |
| Contract liabilities – advance from customers *(ii)* | **15,563,952** | 13,393,013 |
| Contract liabilities – a refund liability for right of sales return *(i)* | **229,834** | 50,132 |
| Total contract liabilities | **15,793,786** | 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 recoginised 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 2019. Total amount of contract liabilities of US$13,443,145 as of December 31, 2018 and US$11,134,478 as of January 1, 2018 has been recognised as revenue for the years ended December 31, 2019 and 2018.

## 5 OTHER INCOME AND EXPENSES

### Other income

| | **For the year ended December 31,** | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$*** | *US$* |
| Sales of raw materials and scraps | **7,053,901** | 7,357,758 |
| Rental income and related services *(i)* | **4,783,338** | 2,659,562 |
| Government grants | **2,231,001** | 3,521,707 |
| Interest Income | **526,959** | – |
| Marketing compensation *(ii)* | **–** | 3,881,350 |
| Others | **212,881** | 343,815 |
| | **14,808,080** | 17,764,192 |

### Other expenses

| | **For the year ended December 31,** | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$*** | *US$* |
| Cost of raw materials and scraps | **5,847,201** | 6,225,857 |
| Depreciation of investment properties | **720,263** | 188,649 |
| Other expenses related to rental income and related service | **273,831** | 100,972 |
| | **6,841,295** | 6,515,478 |

*Note:*

(i) The Group leased out its premise to a third party and provided related services.

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

## 6 OTHER GAINS/(LOSSES) – NET

| | For the year ended December 31, 2019 US$ | 2018 US$ |
|---|---|---|
| Financial assets at fair value through profit or loss | | |
| – Fair value gains | **238,688** | 125,880 |
| Derivative financial instruments | | |
| – Unrealised fair value changes on derivative financial instruments | **19,827,881** | (19,961,159) |
| – Realised losses on derivative financial instruments | **(18,426,731)** | (10,111,903) |
| Losses on disposal of property, plant and equipment | **(2,213,441)** | (389,330) |
| Net foreign exchange gains | **2,543,243** | 7,886,363 |
| Others | **1,851,717** | 1,322,101 |
| | **3,821,357** | (21,128,048) |

## 7 EXPENSES BY NATURE

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

| | For the year ended December 31, 2019 US$ | 2018 US$ |
|---|---|---|
| Raw materials and consumables used | **537,433,637** | 531,828,280 |
| Change in work-in-progress and finished goods | **(4,188,910)** | (69,844,009) |
| Wages and salaries, social welfare and benefits, including director's emoluments | **151,308,452** | 157,995,234 |
| Transportation expenses | **36,115,028** | 27,365,064 |
| Depreciation and amortisation | **25,337,698** | 18,034,525 |
| Service fees and commissions | **22,239,630** | 17,583,196 |
| Utility fee | **18,866,137** | 18,556,629 |
| Processing fee | **12,720,333** | 24,139,083 |
| Advertising and promotion expenses | **11,302,055** | 9,616,976 |
| Maintenance and repair | **7,648,702** | 8,869,719 |
| Research and development expenses | **7,492,050** | 7,801,904 |
| Royalty expenses | **6,796,594** | 6,056,265 |
| After-sale services | **3,606,294** | 3,111,271 |
| Auditors' remuneration | **613,214** | 608,068 |
| Write-down of inventories | **421,122** | 625,323 |
| Other expenses | **30,315,500** | 27,465,754 |
| | **868,027,536** | 789,813,282 |

## 8 FINANCE EXPENSES – NET

| | For the year ended December 31, | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$*** | *US$* |
| Finance expenses: | | |
| – Interest expenses on bank borrowings | **(14,458,313)** | (8,887,460) |
| – Interest expense on discounted notes payables | **(224,110)** | – |
| – Interest expenses on retirement benefit obligations | **(41,178)** | (22,444) |
| – Interest expenses on lease liabilities | **(113,579)** | – |
| – Foreign exchange losses on financing activities | **(1,409,075)** | (1,568,988) |
| Less: amounts capitalised on qualifying assets | **861,897** | 492,246 |
| | **(15,384,358)** | (9,986,646) |
| Finance income: | | |
| – Interest income derived from bank deposits | **–** | 479,183 |
| Finance expenses – net | **(15,384,358)** | (9,507,463) |

## 9 INCOME TAX EXPENSE

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

| | For the year ended December 31, | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$*** | *US$* |
| Current income tax | **13,505,440** | 11,782,091 |
| Deferred income tax *(Note 21)* | **(568,288)** | 16,973 |
| Annual tax filing difference in prior year | **(604,371)** | – |
| Income tax expenses | **12,332,781** | 11,799,064 |

### (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 years ended December 31, 2019 and 2018.

**(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 2019 to 2021, and another subsidiary which is identified as Small and Micro Enterprises and is entitled to enjoy a beneficial tax rate of 20% in 2019.

**(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 9% to 41%, during the years ended December 31, 2019 and 2018.

The Company's subsidiary, Bestway (Vietnam) Recreation Limited, has income tax exempt incentive of 100% for the first 4 years commencing from 2019 and exempt 50% for the next 9 years.

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:

| | **For the year ended December 31,** | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$*** | *US$* |
| Profit before income tax | **59,908,687** | 55,346,897 |
| Tax calculated at applicable tax rates | **15,715,749** | 13,298,148 |
| Income not subject to profits tax | **(50,249)** | (5,875) |
| Expenses not deductible for tax purpose | **279,612** | 279,267 |
| Tax benefit from HNTE qualification | **(1,695,019)** | (2,198,484) |
| Additional deduction of research and development expenses | **(1,160,949)** | (500,648) |
| Unrecognised tax losses | **110,255** | 926,656 |
| Utilization of unrecognised tax losses in prior year | **(262,247)** | – |
| Annual tax filling difference in prior year | **(604,371)** | – |
| Income tax expense | **12,332,781** | 11,799,064 |

## 10 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the net profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue for the years ended December 31, 2019 and 2018.

| | For the year ended December 31, | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$*** | *US$* |
| Profit attributable to the shareholders of the Company | **44,715,005** | 43,059,483 |
| Weighted average number of ordinary shares in issue | **1,058,391,000** | 1,058,391,000 |
| Basic earnings per share | **0.0422** | 0.0407 |

### (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.

| | For the year ended December 31, | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$*** | *US$* |
| Profit attributable to the shareholders of the Company | **44,715,005** | 43,059,483 |
| Weighted average number of ordinary shares in issue | **1,058,391,000** | 1,058,391,000 |
| Adjustments for share options | **1,156,195** | 2,155,275 |
| | **1,059,547,195** | 1,060,546,275 |
| Diluted earnings per share | **0.0422** | 0.0406 |

## 11 DIVIDENDS

| | For the year ended December 31, | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$*** | *US$* |
| Final dividend paid for the year ended December 31, 2018 of US$0.0123 (2017: US$0.0135) per fully paid share | **13,018,209** | 14,288,279 |
| Proposed final dividend *(i)* | **8,890,484** | 13,018,209 |

*Note:*

(i) A proposed final dividend in respect of the year ended December 31, 2019 of US$0.0084 (2018: US$0.0123) per fully paid share, amounting to a total dividend of US$8,890,484 (2018: US$13,018,209) is to be presented for approval at the annual general meeting of the Company on May 20, 2020. These financial statements do not reflect this as dividend payable.

## 12 LAND USE RIGHTS

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

| | For the year ended December 31, | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$*** | *US$* |
| Opening net book value | **34,359,812** | 25,273,107 |
| Other additions | **–** | 13,383,904 |
| Transfer to investment properties *(Note 15)* | **–** | (2,075,573) |
| Amortisation | **–** | (757,220) |
| Currency translation differences | **–** | (1,464,406) |
| Change in accounting policy – HKFRS 16 | **(34,359,812)** | – |
| Closing net book value | **–** | 34,359,812 |

As at December 31, 2018, 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), were pledged to secure short-term borrowings.

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

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

| | For the year ended December 31, 2019 | 2018 |
|---|---|---|
| | *US$* | *US$* |
| General and administrative expenses | – | 734,015 |
| Other expenses | – | 23,205 |
| Total | – | 757,220 |

## 13 PROPERTY, PLANT AND EQUIPMENT

| | Buildings | Machinery and factory equipment | Vehicles | Other equipment and fixtures | Construction in progress | Total |
|---|---|---|---|---|---|---|
| | *US$* | *US$* | *US$* | *US$* | *US$* | *US$* |
| **Year ended December 31, 2019** | | | | | | |
| Opening net book amount | **185,975,305** | **59,365,241** | **3,240,283** | **14,953,487** | **32,205,605** | **295,739,921** |
| Transferred from construction in progress | **39,587,195** | **5,190,168** | **634,186** | **3,805,300** | **(49,216,849)** | **–** |
| Other additions | **900,312** | **360,431** | **1,070,285** | **1,472,964** | **36,777,334** | **40,581,326** |
| Transferred to investment properties *(Note 15)* | **(741,166)** | **–** | **–** | **–** | **(1,030,987)** | **(1,772,153)** |
| Transferred to intangible assets | **–** | **–** | **–** | **–** | **(74,126)** | **(74,126)** |
| Disposals | **(1,714,977)** | **(432,702)** | **(129,768)** | **(114,549)** | **–** | **(2,391,996)** |
| Depreciation charge | **(10,372,554)** | **(7,889,639)** | **(1,189,533)** | **(3,966,975)** | **–** | **(23,418,701)** |
| Currency translation differences | **(3,176,932)** | **(948,085)** | **(53,868)** | **(240,050)** | **(378,228)** | **(4,797,163)** |
| **Closing net book amount** | **210,457,183** | **55,645,414** | **3,571,585** | **15,910,177** | **18,282,749** | **303,867,108** |
| **At December 31, 2019** | | | | | | |
| Cost | **253,654,608** | **90,590,027** | **7,768,201** | **32,306,524** | **18,282,749** | **402,602,109** |
| Accumulated depreciation | **(43,197,425)** | **(34,944,613)** | **(4,196,616)** | **(16,396,347)** | **–** | **(98,735,001)** |
| **Net book amount** | **210,457,183** | **55,645,414** | **3,571,585** | **15,910,177** | **18,282,749** | **303,867,108** |

| | Buildings | Machinery and factory equipment | Vehicles | Other equipment and fixtures | Construction in progress | Total |
|---|---|---|---|---|---|---|
| | *US$* | *US$* | *US$* | *US$* | *US$* | *US$* |
| **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 15)* | (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 |

During the years ended December 31, 2019 and 2018, the Group has capitalised borrowing costs amounting to US$861,897 and US$492,246, respectively, on qualifying assets. Borrowing costs were capitalised at the weighted average rate of 5.60% and 4.54% 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:

| | For the year ended December 31, | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$*** | *US$* |
| Cost of sales | **13,008,830** | 10,486,829 |
| Selling and distribution expenses | **194,964** | 197,249 |
| General and administrative expenses | **10,214,907** | 6,176,560 |
| Total | **23,418,701** | 16,860,638 |

As at December 31, 2019 and 2018, buildings of the Group with a total net book value of RMB943,533,174 (equivalent to US$135,250,304) and RMB837,363,307 (equivalent to US$122,007,709) respectively, were pledged to secure short-term bank borrowings.

As at December 31, 2019 and 2018, machinery and factory equipment of the Group with a total net book value of RMB66,325,929 (equivalent to US$9,507,458) and RMB79,194,386 (equivalent to US$11,538,988) respectively, were pledged to secure short-term borrowings.

## 14 LEASES

This note provides information for leases where the member of the Group is a lessee.

### (i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

| | **As at Decembe 31, 2019** *US$* | As at January 1, 2019 *US$* |
|---|---|---|
| **Right-of-use assets** | | |
| Land use rights (a) | **38,000,517** | 34,359,812 |
| Buildings | **1,817,860** | 926,797 |
| | **39,818,377** | 35,286,209 |
| **Lease liabilities** | | |
| Current | **639,942** | 143,185 |
| Non-current | **1,221,099** | 783,612 |
| | **1,861,041** | 926,797 |

*(a) The Group has land lease arrangement with Mainland China government.*

As at December 31, 2019, land use rights of the Group, all located in Mainland China, with a total net book value of RMB230,526,483 (equivalent to US$33,044,706) were pledged to secure short-term borrowings.

As at December 31, 2019, the Group had a collectively-owned land use right with a net book value of RMB8,650,152 (equivalent to US$1,239,952).

### (ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

| | For the year ended December 31, | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$*** | *US$* |
| Depreciation charge of right-of-use assets | | |
| Land use rights | **837,161** | – |
| Buildings | **670,925** | – |
| Interest expense (included in finance cost) *(Note 8)* | **113,579** | – |
| Expense relating to short-term leases (included in cost of sales, selling expenses and administrative expenses) | **2,000,317** | – |

The total cash outflow for leases in 2019 was US$627,744.

## 15 INVESTMENT PROPERTIES

| | For the year ended December 31, | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$*** | *US$* |
| Opening net book amount | **8,477,978** | – |
| Transferred from land use rights *(Note 12)* | **–** | 2,075,573 |
| Transferred from property, plant and equipment *(Note 13)* | **1,772,153** | 6,799,248 |
| Depreciation | **(720,263)** | (188,649) |
| Currency translation differences | **(145,845)** | (208,194) |
| **Closing net book amount** | **9,384,023** | 8,477,978 |

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

| | For the year ended December 31, | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$*** | *US$* |
| Rental income and related service | **4,783,338** | 2,659,562 |
| Direct operating expenses from property that generated rental income and related service | **994,094** | 289,621 |

As at December 31, 2019, no investment properties were pledged to secure short-term bank borrowings.

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

The 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.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before December 31, 2019 or January 1, 2019 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, 2019 was determined as follows for trade receivables and contract assets:

**(ii) 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:

| | For the year ended December, 31, | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$*** | *US$* |
| Later than 5 years | **31,340,944** | 35,680,152 |
| Later than 1 year but not later than 5 years | **13,015,678** | 12,425,566 |
| Not later than 1 year | **3,536,394** | 2,596,028 |
| | **47,893,016** | 50,701,746 |

## 16 TRADE RECEIVABLES

| | As at December 31, | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$*** | *US$* |
| Trade receivables | **195,013,276** | 211,484,074 |
| Less: allowance for impairment of trade receivables | **(4,596,918)** | (2,264,620) |
| | **190,416,358** | 209,219,454 |

As at December 31, 2019 and 2018, the ageing analysis of the trade receivables based on invoice date is as follows:

| | As at December 31, | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$*** | *US$* |
| Up to 3 months | **132,653,943** | 133,298,889 |
| 4 to 6 months | **22,912,306** | 30,814,255 |
| 7 to 12 months | **38,927,790** | 47,210,782 |
| Over 1 year | **519,237** | 160,148 |
| | **195,013,276** | 211,484,074 |

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

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

| | As at December 31, | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$*** | *US$* |
| US$ | **186,539,425** | 205,906,827 |
| RMB | **4,510,752** | 3,073,849 |
| EUR | **3,929,367** | 2,476,631 |
| Other currencies | **33,732** | 26,767 |
| | **195,013,276** | 211,484,074 |

### (i) Pledged trade receivables

As at December 31, 2019, the Group pledged trade receivables of EUR 1,089,040 (equivalent to US$1,220,076) (2018: EUR 622,832 (equivalent to US$712,133) and US$1,938,654) as securities for the banking facilities and borrowings.

### (ii) Fair values of trade receivables

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

### (iii) Impairment and risk exposure

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

| | **For the year ended December 31,** | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$*** | *US$* |
| At beginning of the year | **(2,264,620)** | (1,530,345) |
| Provision for impairment of trade receivables | **(2,277,666)** | (735,944) |
| Currency translation differences | **(54,632)** | 1,669 |
| At the end of the year | **(4,596,918)** | (2,264,620) |

The creation and release of provision for impaired receivables have been included in 'net impairment losses on financial assets' in the consolidated statements of profit or loss. Trade receivables are written off when there is no reasonable expectation of recovery.

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in the 2019 annual report.

## 17 SHARE CAPITAL AND SHARE PREMIUM

| | **Number of issued shares** | **Ordinary shares** | **Share premium** | **Total** |
|---|---|---|---|---|
| | | *US$* | *US$* | *US$* |
| At December 31, 2019 and 2018 | 1,058,391,000 | 1,355,633 | 140,636,893 | 141,992,526 |

## 18 OTHER RESERVES

| | Retained earnings *(i)* US$ | Other Reserves US$ | Total US$ |
|---|---|---|---|
| **Balance at January 1, 2018** | 248,057,378 | 10,696,442 | 258,753,820 |
| Profit for the year | 43,059,483 | – | 43,059,483 |
| Dividends *(Note 11)* | (14,288,279) | – | (14,288,279) |
| Employees share option scheme: | | | |
| – Value of employee services | – | 1,598,050 | 1,598,050 |
| Currency translation differences | – | (21,785,427) | (21,785,427) |
| **Balance at December 31, 2018** | 276,828,582 | (9,490,935) | 267,337,647 |
| Profit for the year | 44,715,005 | – | 44,715,005 |
| Dividends *(Note 11)* | (13,018,209) | – | (13,018,209) |
| Employees share option scheme: | | | |
| – Value of employee services | – | 1,122,957 | 1,122,957 |
| Currency translation differences | – | (8,976,423) | (8,976,423) |
| **Balance at December 31, 2019** | 308,525,378 | (17,344,401) | 291,180,977 |

(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 years ended December 31, 2019 and 2018, PRC subsidiaries set aside after-tax profit of US$3,116,589 and US$2,285,419, respectively, to their statutory reserve funds. As at December 31, 2019 and 2018, the accumulated amount of such statutory reserve funds was US$36,984,648 and US$33,848,700, respectively.

## 19 TRADE PAYABLES

| | As at December 31, 2019 *US$* | 2018 *US$* |
|---|---|---|
| Trade payables | **159,738,961** | 184,284,396 |

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

| | As at December 31, 2019 *US$* | 2018 *US$* |
|---|---|---|
| RMB | **120,271,170** | 110,390,509 |
| US$ | **33,597,999** | 65,894,661 |
| Other | **5,869,792** | 7,999,226 |
| | **159,738,961** | 184,284,396 |

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

| | As at December 31, 2019 *US$* | 2018 *US$* |
|---|---|---|
| Within 3 months | **156,738,029** | 178,197,821 |
| 4 to 6 months | **305,365** | 2,824,099 |
| 7 to 12 months | **2,449,918** | 3,137,780 |
| 1 to 2 years | **245,649** | 124,696 |
| | **159,738,961** | 184,284,396 |

## 20 OTHER PAYABLES AND ACCRUALS

| | As at December 31, **2019** *US$* | 2018 *US$* |
|---|---|---|
| **Current** | | |
| Accruals and other payables | **64,294,241** | 93,102,577 |
| Payroll and employee benefit payables | **14,623,162** | 14,085,893 |
| Tax payables | **577,835** | 305,334 |
| Interest payables | **1,273,615** | 641,843 |
| Less: Long-term payables *(i)* | **(4,194,451)** | (18,294,396) |
| | **76,574,402** | 89,841,251 |

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

## 21 DEFERRED INCOME TAX

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

| | As at December 31, **2019** *US$* | 2018 *US$* |
|---|---|---|
| Deferred tax assets: | | |
| – Deferred tax asset to be recovered within 12 months | **3,858,621** | 3,477,129 |
| – Deferred tax asset to be recovered after more than 12 months | **1,368,603** | 1,155,793 |
| | **5,227,224** | 4,632,922 |
| Deferred tax liabilities: | | |
| – Deferred tax liabilities to be recovered within 12 months | **(806,372)** | (744,426) |
| Deferred tax assets, net | **4,420,852** | 3,888,496 |

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

| | For the year ended December 31, **2019** *US$* | 2018 *US$* |
|---|---|---|
| At beginning of year | **3,888,496** | 3,850,245 |
| Currency translation differences | **(35,932)** | 55,224 |
| Statements of profit or loss – credit/(charge) *(Note 9)* | **568,288** | (16,973) |
| At end of year | **4,420,852** | 3,888,496 |

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

**Deferred tax assets**

| | Provisions | Tax losses | Fair value losses | Unrealised profits | Deferred government grants | Share-based payments | Total |
|---|---|---|---|---|---|---|---|
| | *US$* | *US$* | *US$* | *US$* | *US$* | *US$* | *US$* |
| At January 1, 2018 | 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 |
| (Charged)/credited to the consolidated statements of profit or loss | 198,749 | (312,231) | (42,729) | 668,470 | 130,545 | – | 642,804 |
| Currency translation differences | (18,399) | (3,900) | (392) | (86) | (25,725) | – | (48,502) |
| At December 31, 2019 | 1,769,395 | 80,759 | – | 2,191,808 | 1,185,262 | – | 5,227,224 |

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, 2019 and 2018, the Group did not recognise deferred tax assets of US$110,255 and US$386,002, in respect of losses amounting to US$565,709 and US$2,059,085 that can be carried forward against future taxable income.

**Deferred tax liabilities**

| | Rental income | Fair value gains | Withholding tax for dividend distribution | Others | Total |
|---|---|---|---|---|---|
| | *US$* | *US$* | *US$* | *US$* | *US$* |
| At January 1, 2018 | – | – | 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 |
| Charged/(credited) to the consolidated statements of profit or loss | 148,254 | (40,243) | – | (33,495) | 74,516 |
| Currency translation differences | (6,516) | (9,723) | – | 3,669 | (12,570) |
| At December 31, 2019 | 469,923 | 53,442 | – | 283,007 | 806,372 |

As at December 31, 2019 and 2018, deferred tax liabilities of US$9,875,408 and US$8,515,500 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$197,508,153 and US$170,309,999, as at December 31, 2019 and 2018, respectively.

Dear Shareholders,

The Group is a global leading branded company for outdoor leisure products. During the year ended December 31, 2019 (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 United States of America ("**U.S.**"), the Group performed well in terms of product sales in major regions, which reflected the Group's strong product research and development ("**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$934.6 million, which was again record breaking, representing a year-on-year growth of 8.0%. The Group's gross profit margin remained relatively stable and decreased slightly from 26.6% in 2018 to 26.5% in 2019. The Group's net profit also recorded a satisfactory increase by 9.2% from US$43.5 million in 2018 to US$47.6 million in 2019, which was mainly due to the increase in sales volume brought by the strong demand for the Group's products, in particular Above-ground Pools & Portable Spas and Recreation Products, and our ability to maintain stable profitability. The Board has proposed a final dividend of approximately US$8.9 million, or US$0.0084 per Share (equivalent to approximately HK$0.0654 per Share), representing a dividend payout ratio of 20%.

## BUSINESS REVIEW

In 2019, the Group further consolidated its leading market share in the world. Market share of the Group in the inflatable outdoor leisure products industry stood at over 35%, 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 closer to that of its biggest competitor as compared to 2018, which implied that we are having a 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.

### Our Products

During the year under review, our four core product groups recorded a satisfactory overall sales growth. Above-ground Pools & Portable Spas demonstrated an outstanding performance with 20.5% growth, mainly attributable to the successful product promotion in Europe and the strong demand in European market driving such rapid growth. The sales of Recreation Products and Sporting Products remained flat, mainly attributable to the cooler weather in Mainland China and the air pollution brought by Australian bushfires. Such cooler weather in Mainland China and poorer air quality in Australia reduced people's incentive to engage in outdoor activities and hence lowered the demand for these products. As we derived a considerable portion of Camping Products' sales revenue from the U.S., the decrease of 5.1% in sales revenue of Camping Products was mainly caused by the uncertain demand in the market brought by the trade dispute between China and the U.S., leading to the decrease in orders placed by our clients.

## Our Geographical Region

During the year under review, the Group maintained a positive growth momentum in certain major region. European market, the largest contributor of the Group's revenue, maintained a rapid growth rate of 22.3% in terms of revenue, which was higher than the market average as a result of the absolute leading position of the Group in the region. Due to the rapid growth of our subsidiaries in Europe, and the tremendous efforts spent in further differentiating the sales channels, the Group was able to provide a more refined local service in Europe gradually over the years, which was particularly appealing to the strong market demand in Germany and France. The brand new Portable Spas, brand new small- and medium- sized anti-rust frame pools are the best sellers of the Company and the sales of Mega Water Parks & Bouncers and Stand-up Paddleboards & Surf Boards maintained significant growth. The strong market demand was mainly driven by the hot weather in Europe as a whole, which brought the rapid revenue growth of the Group in European market. The Group's sales in the North America market experienced a marginal decrease by 4.1%. The trade dispute between China and the U.S. did affect the Group's business in North America but the Group endeavored to offset such negative impact by differentiating product promotion and increasing its market shares. The sales of main product lines of Above-ground Pools & Portable Spas demonstrated a slight increase while the sales of Mega Water Parks & Bouncers and Snow Tubes have recorded a speedy and strong growth as they opened up market access. In the Asia-Pacific region, the Group recorded a decline in sales by 11.9%. As people tend not to participate in outdoor activities in order to reduce the exposure to polluted air, the Australian bushfires did affect our sales. Further, the cooler weather recorded in Mainland China also discouraged people to purchase outdoor sport and recreation equipment. These two factors, when added together, have a negative influence to the Group's sales performance in Asia-Pacific region. As the situation of Australia has turned stable gradually and the business-to-customer sales in Mainland China has been further enhanced, a certain extent of recovery in the future is expected. In order to continuously expand our global sales presence, the Group has expanded its market coverage by integrating the operation and management of online sales channels, further increasing the promotion efforts of online sales, continuously introducing new products in the market as a trendsetter and widening the Company's indoor product lines.

## Product Innovation

The Group's 2020 sales year (for the period from May 1, 2019 to April 30, 2020) began in May 2019. During the 2020 sales year, the Group paid more attention to further expanding sales channels by differentiating products and improving the promotion of new products to the markets, including: 1) optimizing domestic pools and Portable Spas products user experience; 2) developing intelligent control of outdoor and indoor products; 3) widening the application of new composite materials, such as TOUGH GUARD and TRITECH in inflatable leisure products. The Group places high expectations on such products, and is confident that they will become another group of popular products which can lead to considerable sales amount in the next few years. Orders received by the Group during the first two quarters of the 2020 sales year increased by 10-15% and 5-10% respectively as compared to the corresponding period of the 2019 sales year while the order received by the Group in the third quarter of the 2020 sales year decreased slightly by 0.1-5% as compared to the corresponding period of the 2019 sales year. Such positive order growth has laid a solid foundation for the Group's revenue growth in 2020 financial year.

During the year under review, the Group made continuous investment in product innovation and material R&D, with R&D related costs reaching approximately US$16 million, which is approximately 6.7% higher than US$15 million of last year. As of December 2019, 226 patents had been obtained, and another 164 applications had been made, including invention patents and structural design patents. The application of new composite materials to inflatable indoor domestic products developed by the Group during the year 2019 was further improved in terms of production efficiency and capability, and command full scale production in 2020. For instance, the Indoor Air Mattresses, which were made of new composite materials, were well received by the market, presenting a huge growth potential.

**Production Facility**

The Group operates a vertically integrated business model with our product production, manufacturing and supply chain completed on our own. The Group's manufacturing sites in operation during the year under review are located in (i) Shanghai; (ii) Rugao, Nantong; (iii) Yancheng; and (iv) Haian, Nantong. The construction sites in Rugao, Nantong (phase 2) and Haian, Nantong were completed and the new facilities have started to operate at the end of 2018 and early 2019 respectively. The capital expenditure of the Group during the year of 2019 was US$73.9 million, which was mainly used for the aforementioned capacity expansion.

During the year under review, the Group further expanded the production capacity of the manufacturing site in Vietnam (phase 1), which covers 51,240 square meters of land and 35,000 square meters of factory. Phase 1 of our production facility in Vietnam, located in Long Jiang Industrial Park near Ho Chi Minh City, has already officially been in operation since January 2020, with an expected annual production capacity of about US$40 million. This production facility mainly produces Recreation Products and mattresses of our four core product groups.

The increase of the production capacity brought by the operation of new manufacturing sites enables the Group to fully meet the rapid growth of sales orders of the Group presently.

## OUTLOOK

Looking ahead into year 2020, the world is facing challenges such as the ongoing China-U.S. trade negotiations and recent outbreak of COVID-19 in China and worldwide. It is expected that we may achieve a relatively flattish revenue in the first half of 2020, mainly due to the impact of additional tariff imposed on our business in the U.S.. Our 2021 sales year (for the period from May 1, 2020 to April 30, 2021) will be kick-started in May 2020, and we remain optimistic. Currently, China has entered into Phase I Trade Agreement with the U.S., whereby the additional tariff that is currently affecting our products will be largely halved or reduced to zero. As a result, we may expect a better sales performance in the 2021 sales year. Certainly, facing the COVID-19 outbreak which arouses concerns globally, the Company will continue to monitor its subsequent development closely. The Company will analyze and evaluate such impact to its sales performance from every aspects, and adjust its strategy to adapt to the new global market as and when necessary.

On the cost side, we will further optimize the structure of raw material suppliers and exercise effective control on the cost of raw materials procurement. We are able to better control our selling and marketing expenses given the relief of the additional tariff in the U.S. in 2020. We will further optimize our administrative expenses through economies of scales. In terms of foreign exchange, we have exercised strict internal control on the foreign exchange (FOREX) hedging policies and tools and will continue to maintain such practice.

In 2020, our R&D efforts on both in-house developed materials and innovative products will remain in full force. On materials, we will continue to upgrade new materials for TRITECH and FORTECH air mattresses; promote anti-freeze new materials; and develop proprietary patent of anti-erosion protection device for stainless steel Above-ground Pools. On product invention, we will continue to replenish and upgrade over 20% product offerings each year. In particular, our newly launched SWIMFINITY branded "Swim Trainers" is expected to further drive the business growth of our Above-ground Pools & Portable Spas. Our smart phone APP-controlled Indoor Air Mattresses are expected to create significant consumer demand as an alternative home furniture.

In 2020, we will continue to increase offline marketing channel penetration in mature markets such as Europe and North America. Our marketing efforts on e-commerce and social media are becoming more and more prominent and we are determined to demonstrate our drive and the overall market presence of our brand and products. We have established our official Facebook and Instagram accounts in lots of countries worldwide and will continue to obtain more fans and traffic on those social media platforms. We have also collaborated with global e-commerce operators such as Amazon and Tmall. We will further strengthen our relationship with renowned third-party e-commerce operators around the globe. Meanwhile, we will further promote the Group's own e-commerce channels in China and Europe.

In terms of manufacturing, our Vietnam factory has started production in January 2020 and is expected to produce around US$30 million products in 2020. We will monitor the production efficiency of the Vietnam facility closely and determine any future expansion plan. For our manufacturing facility in China, we have completed the facility expansion and expect much less capital expenditure for such facilities in 2020 and beyond.

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 growth. I also appreciate the faith and support given by our customers, suppliers and partners to the Group. The Group will continue to devote its efforts to create sustainable value for the shareholders of the Company.

**Zhu Qiang**
*Chairman and Chief Executive Officer*
Hong Kong, March 25, 2020

## RESULTS OF OPERATIONS

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2019** | 2018 | Change |
| | ***US$*** | *US$* | *(%)* |
| **Operating Results** | | | |
| Revenue from contracts with customers | **934,626,618** | 865,281,075 | 8.0 |
| Cost of sales | **(686,627,056)** | (634,712,787) | 8.2 |
| Gross profit | **247,999,562** | 230,568,288 | 7.6 |
| Net profit | **47,575,906** | 43,547,833 | 9.2 |
| Net profit margin | **5.1%** | 5.0% | 0.1 |

| | As of December 31, | | |
|---|---|---|---|
| | **2019** | 2018 | Change |
| **Key Ratios (%)** | | | |
| Gross profit margin | **26.5%** | 26.6% | (0.1)% |
| Net profit margin | **5.1%** | 5.0% | 0.1% |
| Gearing ratio[(1)] | **42.1%** | 48.1% | (6.0)% |

*Note:*

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

**Revenue**

The revenue of the Group rose by 8.0% from US$865.3 million for the year ended December 31, 2018 to US$934.6 million for the year ended December 31, 2019. 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**

With the growth in the revenue and relatively stable gross profit margin of the Group, the net profit of the Group also increased by 9.2% from US$43.5 million for the year ended December 31, 2018 to US$47.6 million for the year ended December 31, 2019. The increase was due to the strong demand for the Group's products, in particular Above-ground Pools & Portable Spas and Recreation Products, driving the increase in sales volume and the Group's ability in maintaining a stable profitability.

Sales of the Group are mostly quoted and settled in US dollars. Approximately 40% of the sales proceeds received are directly used to pay external parties in US dollars, and approximately 60% of the sales proceeds received are converted to Renminbi. In respect of the 60% of sales proceeds received (in US dollars and would be converted to Renminbi after sales proceeds received) which was exposed to foreign exchange risk, we have taken the following internal control measures to reduce foreign exchange rate risk:

i. naturally hedge the foreign exchange rate risk by paying fees incurred through procurement of raw materials to the extent possible;

ii. on a daily basis, purchase one-year ordinary foreign exchange forward contract for the amount of daily average of up to 40% of the proceeds that we will receive in the next year (in US dollars) to dispersedly lock the foreign exchange rate continually; and

iii. set a global sales quotation (in US dollars) for the next sales year by using a fixed foreign exchange rate in June each year.

These measures can ensure that future foreign exchange rate fluctuations have minimal impact on our operating performance so as to ensure the continuous stability in our operating performance.

### Product Group

We offer a variety of outdoor leisure products. We categorize our products into four core product groups and 20 product categories. We market and sell these products primarily under our own BESTWAY brand umbrella, in conjunction with a portfolio of sub-brands based on their product categories and market positioning. The following table sets forth the revenue for our four core product groups, presented by the amount and as a percentage of our total revenue for the years indicated:

| | For the year ended December 31, | | | | |
|---|---|---|---|---|---|
| Product Group | **2019** | | 2018 | | **2019 vs. 2018** |
| | ***US$*** | ***%*** | *US$* | *%* | **% Change** |
| Above-ground Pools & Portable Spas | **449,551,889** | **48.1** | 372,973,563 | 43.1 | 20.5 |
| Recreation Products | **189,630,615** | **20.3** | 187,474,819 | 21.7 | 1.1 |
| Sporting Products | **119,304,285** | **12.8** | 119,315,333 | 13.8 | (0.0) |
| Camping Products | **176,139,829** | **18.8** | 185,517,360 | 21.4 | (5.1) |
| **Total** | **934,626,618** | **100.0** | 865,281,075 | 100.0 | 8.0 |

The sales mix of our four core product groups recorded a satisfactory overall growth during the year ended December 31, 2019 in comparison to the year ended December 31, 2018. It is mainly due to the successful product promotion in Europe and the strong demand in European market driving such rapid growth, leading to a 20.5% rapid growth in the Above-ground Pools & Portable Spas. The sales of Recreation Products and Sporting Products remained flat, mainly attributed to unfavorable environment in Mainland China and Australia for outdoor activities, leading to the decrease in demand in Asia Pacific Region. Decrease in revenue of Camping Products was due to the uncertain demand in the market brought by the trade dispute between China and the U.S., leading to the decrease in orders placed by our clients.

## 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, | | | | |
|---|---|---|---|---|---|
| | **2019** | | 2018 | | **2019 vs. 2018** |
| | ***US$*** | ***%*** | *US$* | *%* | **% Change** |
| Europe(1) | **498,470,160** | **53.3** | 407,570,231 | 47.1 | 22.3 |
| North America(2) | **241,937,543** | **25.9** | 252,149,607 | 29.1 | (4.1) |
| Asia Pacific(3) | **71,180,049** | **7.6** | 80,778,484 | 9.3 | (11.9) |
| Including: Mainland China | **22,090,043** | **2.4** | 26,242,170 | 3.0 | (15.8) |
| Rest of the world(4) | **123,038,866** | **13.2** | 124,782,753 | 14.5 | (1.4) |
| Total | **934,626,618** | **100.0** | 865,281,075 | 100.0 | 8.0 |

*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 U.S., 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, 2019, our market share in the European market continued to increase, recording a rapid growth of 22.3%, mainly due to (i) the further differentiation of sales channels; (ii) the provision of a more refined local service in Europe year after year; and (iii) hot weather as a whole in Europe. The brand new Portable Spas, small- and medium- sized anti-rust frame pools, Mega Water Parks & Bouncers and Stand-up Paddleboards & Surf Boards were well received by the market.

For the year ended December 31, 2019, revenue in North America decreased by 4.1%, mainly due to the discouragement of placing orders by our clients due to the trade dispute between China and the U.S. during the year. The Group has endeavored to offset such negative impact by differentiating product promotion and increasing its market shares. The sales of main product lines of Above-ground Pools & Portable Spas still demonstrated a slight increase while Mega Water Parks & Bouncers and Snow Tubes have recorded a speedy and strong growth.

Revenue in Asia Pacific also decreased by 11.9%, mainly due to the bushfires in Australia, which lowers people's incentive in engaging in outdoor activities. Besides, the decrease in revenue in Mainland China's market has recorded a 15.8% fall due to a cooler weather recorded. As the situation of Australia has turned stable and the business-to-customer sales in Mainland China has been further enhanced, a certain extent of recovery in the future is expected.

Revenue in the rest of the world also recorded a slight decrease, with a greater decrease in revenue from the countries in South America, such as Chile, due to political instability. However, such negative impact was offset generally by the successful promotion of new products, especially Mega Water Parks & Bouncers and Stand-up Paddleboards & Surf Boards.

## 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,** | | | | | |
| | **2019** | 2018 | **2019** | 2018 | **Revenue** | **Cost of Sales** |
| | ***US$*** | *US$* | ***US$*** | *US$* | | |
| Above-ground Pools & Portable Spas | **449,551,889** | 372,973,563 | **332,061,534** | 281,578,203 | 20.5 | 17.9 |
| Recreation Products | **189,630,615** | 187,474,819 | **135,805,635** | 131,544,324 | 1.1 | 3.2 |
| Sporting Products | **119,304,285** | 119,315,333 | **79,642,957** | 81,728,656 | (0.0) | (2.6) |
| Camping Products | **176,139,829** | 185,517,360 | **139,116,930** | 139,861,604 | (5.1) | (0.5) |
| Total | **934,626,618** | 865,281,075 | **686,627,056** | 634,712,787 | 8.0 | 8.2 |

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 8.2% from US$634.7 million for the year ended December 31, 2018 to US$686.6 million for the year ended December 31, 2019 and was 73.4% and 73.5% as a percentage of revenue for the years ended December 31, 2018 and 2019, 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 7.6% from US$230.6 million in 2018 to US$248.0 million in 2019. Our gross profit margin decreased from 26.6% in 2018 to 26.5% in 2019. The 0.1% decrease in our gross profit margin was resulted from (i) the stable sales price; (ii) an increase in gross profit due to the depreciation in the exchange rate of Renminbi; (iii) a slight increase in raw materials price; (iv) the increase in depreciation and amortization costs of production facilities which affects the level of gross profit.

## 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, 2018 and 2019, our selling and distribution expenses were US$84.4 million and US$106.2 million, respectively, representing 9.8% and 11.4% of our revenue in these respective periods. The increase of 25.7% in selling and distribution expenses proportion was resulted from: (i) an increase in marketing expenses for new products and new channels promotion expenses; (ii) an increase in one-off expenses for paying third-party patent rights; and (iii) an increase in logistics and incidental expenses due to an increase in business volumes which requires the Group to adopt Cost, Insurance and Freight terms. These initiatives aim at attracting market's attention and smoothening the logistics arrangement in transportation of goods internationally. The Group believes that these initiatives have laid a strong foundation for the Company's sales growth.

### *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, processing fee, R&D expenses, depreciation and amortization of our office and employees dormitories, maintenance and repair fees and rental expenses. For the years ended December 31, 2018 and 2019, our general and administrative expenses were US$70.7 million and US$75.2 million. Our general and administrative expenses amounted to 8.2% and 8.1% of the revenue for the years ended December 31, 2018 and 2019, respectively.

### *Other Income*

Our other income decreased by US$3.0 million from US$17.8 million in 2018 to US$14.8 million in 2019, as we have collected marketing compensation from retailers of the Group's products in Mainland China in 2018. Such marketing compensation was not collected in 2019.

The rental income of a logistics center in Shanghai has brought to the Company a stable income of US$4.8 million in 2019.

### *Other gains/(losses)*

Our other losses was US$21.1 million in 2018, and other gains was US$3.8 million in 2019. For further details, please see the analysis of foreign exchange risk in the paragraphs headed "— Results of Operations — Net profit".

### *Operating profit*

Our operating profit increased by 16.1% from US$64.9 million for the year ended December 31, 2018 to US$75.3 million for the year ended December 31, 2019. The increase in operating profit is due to the growth in sales performance revenue and relatively stable gross profit margin of the Group.

### *Profit for the Year*

Our profit for the year increased by 9.2% from US$43.5 million in 2018 to US$47.6 million in 2019. The increase was a result of an increase in sales volume, driven by the strong demand for the Group's products, in particular Above-ground Pools & Portable Spas and Recreation Products and our ability to maintain stable profitability.

### *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. For the years ended December 31, 2018 and 2019, the net amount of finance expenses was US$9.5 million and US$15.4 million, respectively, representing 1.1% and 1.6% of total revenue, respectively. The increase of finance expenses was primarily due to the increase in capital expenditure during the recent years which led to an increase in borrowings and interests paid for such borrowings for the capital expenditure.

### *Income Tax Expenses*

Our income tax expenses increased by 4.5% from US$11.8 million in 2018 to US$12.3 million in 2019. Our effective income tax rate decreased from 21.3% in 2018 to 20.6% in 2019.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our primary uses of cash in 2019 were to meet the working capital demand in our daily operating activities and pay for capital expenditure for expansion of production facilities.

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, 2019 mainly comprises expenditure on (i) property, plant and equipment related to the construction of manufacturing facilities in Nantong; and (ii) land use rights related to the expansion of our manufacturing facilities in Vietnam. In 2019, we funded our capital expenditures primarily with internally generated resources and borrowings. The table below shows a breakdown of the capital expenditure for the respective years:

| | Year ended December 31, | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$*** | *US$* |
| Payments for property, plant and equipment | **68,717,926** | 92,054,703 |
| Payments for land use rights | **–** | 13,383,904 |
| Payments for intangible assets | **118,878** | 748,501 |
| Payments for right-of-use assets | **5,042,731** | – |
| Prepayments for land use rights | **–** | (10,612,015) |
| **Total Capital Expenditure** | **73,879,535** | 95,575,093 |

The capital expenditure of the Group decreased by 22.7% to US$73.9 million as of December 31, 2019 (2018: US$95.6 million), due to majority of the payment installments of construction expenses in respect of expansion of manufacturing facilities as the projects were completed in 2018. We plan to finance our capital commitments with bank borrowings and cash flows generated from operating activities.

**Liquidity and Cash Flow**

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2019** | 2018 | **Change** |
| | ***US$*** | *US$* | ***US$*** |
| **Cash flow** | | | |
| Net cash generated from/(used in) operating activities | **97,532,554** | (26,862,878) | 124,395,432 |
| Net cash used in investing activities | **(74,206,859)** | (121,140,640) | 46,933,781 |
| Net cash generated from financing activities | **4,143,785** | 68,652,576 | (64,508,791) |
| Net increase/(decrease) in cash and cash equivalents | **27,469,480** | (79,350,942) | 106,820,422 |

| | As of December 31, | | |
|---|---|---|---|
| | **2019** | 2018 | **Change** |
| | ***US$*** | *US$* | ***US$*** |
| **Current Assets and Current Liabilities** | | | |
| Current Assets | **605,308,898** | 644,248,062 | (38,939,164) |
| Current Liabilities | **(408,514,487)** | (537,759,007) | 129,244,520 |
| **Net Current Assets** | **196,794,411** | 106,489,055 | 90,305,356 |

The Group maintains a strong and healthy balance sheet. As of December 31, 2019, the gearing ratio was 42.1%, representing a 6.0% decrease as compared with December 31, 2018 (gearing ratio equals to total net debt divided by total equity). Net current assets increased by 84.8% from US$106.5 million as of December 31, 2018 to US$196.8 million as of December 31, 2019. In contrast with the 25.6% decrease recorded in 2018, the 84.8% increase in net current assets recorded in 2019 was primarily due to a decrease in short-term borrowings.

The Group's net cash inflow from operating activities was US$97.5 million, representing an increase of US$124.4 million as compared to December 31, 2018 (2018: net cash outflow US$26.9 million). The increase in net cash inflow from operating activities was mainly attributed to an increase in profit and a decrease in both inventories and trade receivables given the greater efforts spent in collecting receivables.

## Borrowings

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

| | As of December 31, | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$*** | *US$* |
| Bank borrowings | | |
| Secured | **129,721,784** | 21,218,752 |
| Short term bank borrowings | | |
| Secured | **117,243,451** | 213,454,391 |
| Unsecured | **4,975,994** | 2,923,700 |
| **Total** | **251,941,229** | 237,596,843 |

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, 2018 and 2019, the weighted average effective interest rate of our borrowings was 4.30% and 4.62% per annum, respectively. Our bank borrowings amounted to US$237.6 million and US$251.9 million as of December 31, 2018 and 2019, respectively. The increase was primarily due to the replenishment of working capital.

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

| | As of December 31, | | |
|---|---|---|---|
| | **2019** | 2018 | **Change** |
| | ***US$*** | *US$* | ***US$*** |
| Within one year | **139,959,769** | 216,378,091 | (76,418,322) |
| Over one year | **111,981,460** | 21,218,752 | 90,762,708 |
| Total | **251,941,229** | 237,596,843 | 14,344,386 |

## 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, | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$*** | *US$* |
| Raw materials | **37,003,761** | 67,386,585 |
| Work in progress | **79,001,219** | 78,988,319 |
| Finished goods | **188,900,560** | 184,649,959 |
| Total | **304,905,540** | 331,024,863 |

Our inventories decreased by US$26.1 million to US$304.9 million as of December 31, 2019, compared to December 31, 2018, primarily due to the effective production efficiency and the adoption of inventory control measures. In particular, as of December 31, 2019, our raw materials inventories decreased from US$67.4 million to US$37.0 million mainly due to the decrease in PVC resin reserves, which in turn lowers the cost for storage of raw materials. This evidences our efforts spent in increasing cost-efficiency and optimizing production cost.

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

| | For the year ended December 31, | |
|---|---|---|
| | **2019** | 2018 |
| Inventory turnover days[(1)] | **169** | 167 |

*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 167 days in 2018 to 169 days in 2019, while the balance of inventories decreased from US$331.0 million in 2018 to US$304.9 million in 2019. The cost of sales also increased from US$634.7 million to US$686.6 million. These products are regular stocks and there is no risk of stagnate stocks. Our inventory turnover days remained relatively stable.

## Trade Receivables

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

| | As of December 31, | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$*** | *US$* |
| Trade receivables | **195,013,276** | 211,484,074 |
| Less: allowance for impairment for trade receivables | **(4,596,918)** | (2,264,620) |
| Total trade nature receivables | **190,416,358** | 209,219,454 |

Our trade receivables decreased by 9.0% from US$209.2 million as of December 31, 2018 to US$190.4 million as of December 31, 2019 primarily due to greater efforts in collecting receivables from clients that we devoted.

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

| | For the year ended December 31, | |
|---|---|---|
| | **2019** | 2018 |
| Trade receivables turnover days[(1)] | **79** | 74 |

*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 74 days in 2018 to 79 days in 2019. The increase was mainly due to our appropriate extension of credit period for certain strategic customers in support of their sales.

## Prepayments and Other Receivables

Our prepayments and other receivables decreased from US$47.1 million as of December 31, 2018 to US$41.6 million as of December 31, 2019.

### 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 decreased by 13.3% to US$159.7 million as of December 31, 2019, primarily due to the decrease in PVC resin reserves, which led to a decrease in inventories.

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

| | For the year ended December 31, | |
|---|---|---|
| | **2019** | 2018 |
| Trade payables turnover days[(1)] | **91** | 97 |

*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.

The decrease of trade payables turnover days by 6 days was due to the decrease of trade payables paid to PVC suppliers who provided us with a longer credit terms. Therefore, the trade payables turnover days remained relatively stable compared with general credit terms provided by suppliers.

### Other Payables and Accruals

Our other payables and accruals decreased significantly by US$27.3 million from US$108.1 million as of December 31, 2018 to US$80.8 million as of December 31, 2019, as we have completed the majority of payment for construction expenses of infrastructures due in respect of expansion of manufacturing facilities in 2018.

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

During the year ended December 31, 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## EVENTS AFTER THE REPORTING PERIOD

Since the outbreak of coronavirus disease ("**COVID-19 outbreak**") in January 2020, the Group has actively responded to it and strictly implemented various regulations and requirements of the national and local governments for virus epidemic prevention and control. The Group's production resumed gradually since February 10, 2020 and various internal procedures have been implemented to ensure both epidemic prevention and normal operation.

The Group's products are sold globally and the Company expects the current COVID-19 outbreak and relevant prevention and control measures adopted by various countries will have certain impact on the Group's operations, and the degree of impact depends on the progress and duration of the disease and the relevant controls and prevention policies implemented.

The Company will continue to pay close attention to the development of the COVID-19 outbreak, evaluate and actively respond to its impact on the financial position and operating results of the Group. As at the date of this announcement, no significant adverse impact has been found.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Board is of the view that the Company has complied with all code provisions as set out in the CG Code for the year ended December 31, 2019, save for code provision A.2.1 of the CG Code. The Company has appointed Mr. Zhu Qiang as both the chairman and the chief executive officer of the Company. The Board believes that vesting the roles of the chairman and chief executive officer in the same individual would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors and independent non executive Directors.

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

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the transactions of securities of the Company by its Directors and the relevant employees who would likely possess inside information of the Company. Specific enquiry has been made to all Directors and all of them have confirmed that they have complied with the Model Code for the period from January 1, 2019 to December 31, 2019.

## AUDIT COMMITTEE

The Audit Committee, comprising all the independent non executive Directors, has reviewed the results of the Group for the year ended December 31, 2019 together with its auditors, and have discussed with the management the accounting principles and practices adopted by the Group and its internal controls and financial reporting matters.

## SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company (the "**2020 AGM**") will be held on May 20, 2020. The notice of the 2020 AGM will be published on the websites of the Company (http://www.bestwaycorp.com) and the Stock Exchange (www.hkexnews.hk) and sent to the shareholders of the Company (the "**Shareholders**") in due course.

## FINAL DIVIDEND

The Board has recommended a final dividend of US$0.0084 per Share (equivalent to approximately HK$0.0654 per Share at the exchange rate of US$1.00 to HK$7.7877 as at December 31, 2019) for the year ended December 31, 2019, amounting to a total of approximately US$8.9 million. Subject to Shareholders' approval at the 2020 AGM, the proposed final dividend will be distributed on June 26, 2020 to Shareholders whose names appear on the register of members of the Company on May 28, 2020.

If the proposed final dividend is approved by the Shareholders at the 2020 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 20, 2020 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 15, 2020. If no dividend currency election is made by a Shareholder, such Shareholder will receive the final dividend in HK dollars.

## CLOSURE OF REGISTER OF MEMBERS

### IN RELATION TO THE 2020 AGM

For ascertaining Shareholders' right to attend and vote at the 2020 AGM, the register of members of the Company will be closed from May 15, 2020 to May 20, 2020, 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 2020 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 14, 2020 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 26, 2020 to May 28, 2020, 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 25, 2020 for registration. The record date and time for entitlement to the proposed final dividend is May 28, 2020 at 4:30 p.m.

## PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT

This announcement was published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (http://www.bestwaycorp.com). The annual report for the year ended December 31, 2019 will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, March 25, 2020

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