

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



**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, 2020**

**FINANCIAL HIGHLIGHTS**

	<b>For the year ended December 31,</b>		
	<b>2020</b>	2019	Change
	<i>US\$</i>	<i>US\$</i>	( <i>%</i> )
<b>Revenue from contracts with customers</b>	<b>991,821,455</b>	934,626,618	6.1
<b>Gross profit</b>	<b>262,645,722</b>	247,999,562	5.9
<b>Gross profit margin</b>	<b>26.5%</b>	26.5%	0.0 <sup>(1)</sup>
<b>Net profit</b>	<b>49,943,504</b>	47,575,906	5.0
<b>Net profit margin</b>	<b>5.0%</b>	5.1%	(0.1) <sup>(1)</sup>
<b>Earnings per share – Basic</b>	<b>0.0445</b>	0.0422	5.5
<b>Earnings per share – Diluted</b>	<b>0.0445</b>	0.0422	5.5
<b>Proposed final dividend per share</b>	<b>0.0134</b>	0.0084	59.5

*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, 2020 (the “**year under review**”) together with comparative figures for the year ended December 31, 2019 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended December 31,	
		2020	2019
	Note	US\$	US\$
Revenue from contracts with customers	4	991,821,455	934,626,618
Cost of sales	4,7	<u>(729,175,733)</u>	<u>(686,627,056)</u>
<b>Gross profit</b>		<u>262,645,722</u>	<u>247,999,562</u>
Selling and distribution expenses	7	(121,391,671)	(106,162,884)
General and administrative expenses	7	(76,007,073)	(75,237,596)
Net impairment losses on financial assets		(4,039,814)	(3,094,179)
Other income	5	15,146,823	14,808,080
Other expenses	5	(6,556,998)	(6,841,295)
Other gains – net	6	<u>1,093,364</u>	<u>3,821,357</u>
<b>Operating profit</b>		<b>70,890,353</b>	<b>75,293,045</b>
Finance expenses – net	8	<u>(9,268,281)</u>	<u>(15,384,358)</u>
<b>Profit before income tax</b>		<b>61,622,072</b>	<b>59,908,687</b>
Income tax expense	9	<u>(11,678,568)</u>	<u>(12,332,781)</u>
<b>Profit for the year</b>		<u><b>49,943,504</b></u>	<u><b>47,575,906</b></u>
<b>Profit attributable to:</b>			
Shareholders of the Company		47,101,189	44,715,005
Non-controlling interests		<u>2,842,315</u>	<u>2,860,901</u>
		<u><b>49,943,504</b></u>	<u><b>47,575,906</b></u>
<b>Earnings per share for profit attributable to shareholders of the Company for the year</b>			
– Basic earnings per share	10	0.0445	0.0422
– Diluted earnings per share	10	<u>0.0445</u>	<u>0.0422</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>For the year ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	2019
	<i>US\$</i>	<i>US\$</i>
<b>Profit for the year</b>	<b>49,943,504</b>	47,575,906
<b>Other comprehensive income:</b>		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	<u>35,752,152</u>	<u>(8,960,340)</u>
<b>Other comprehensive income for the year, net of tax</b>	<u>35,752,152</u>	<u>(8,960,340)</u>
<b>Total comprehensive income for the year</b>	<u><b>85,695,656</b></u>	<u>38,615,566</u>
<b>Attributable to:</b>		
– Shareholders of the Company	<b>82,152,432</b>	35,738,582
– Non-controlling interests	<u>3,543,224</u>	<u>2,876,984</u>
<b>Total comprehensive income for the year</b>	<u><b>85,695,656</b></u>	<u>38,615,566</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As of December 31,	
		2020	2019
	Note	US\$	US\$
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	333,626,072	303,867,108
Right-of-use assets	13	44,988,026	39,818,377
Investment properties	14	9,225,075	9,384,023
Intangible assets		3,123,526	808,247
Deferred tax assets	20	7,857,241	5,227,224
Financial asset at fair value through other comprehensive income		649,231	649,231
Prepayments and other receivables		–	2,471,158
		<u>399,469,171</u>	<u>362,225,368</u>
<b>Current assets</b>			
Inventories		302,093,910	304,905,540
Contract assets	4	–	158,585
Trade receivables	15	139,038,411	190,416,358
Prepayments and other receivables		43,264,539	39,136,876
Financial assets at fair value through profit or loss		1,238,583	517,203
Derivative financial instruments		21,124,026	1,591,113
Restricted cash		10,903,799	9,279,173
Cash and cash equivalents		244,065,791	59,304,050
		<u>761,729,059</u>	<u>605,308,898</u>
<b>Total assets</b>		<u><b>1,161,198,230</b></u>	<u><b>967,534,266</b></u>
<b>Equity and liabilities</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital	16	1,355,633	1,355,633
Share premium	16	140,636,893	140,636,893
Other reserves	17	363,895,743	291,180,977
		<u>505,888,269</u>	<u>433,173,503</u>
<b>Non-controlling interests</b>		<u><b>5,953,325</b></u>	<u><b>2,344,618</b></u>
<b>Total equity</b>		<u><b>511,841,594</b></u>	<u><b>435,518,121</b></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	As of December 31,	
	2020	2019
	<i>Note</i> US\$	US\$
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Bank borrowings	<b>64,596,583</b>	111,981,460
Lease liabilities	<i>13</i> <b>1,716,211</b>	1,221,099
Deferred tax liabilities	<i>20</i> <b>980,807</b>	806,372
Other payables and accruals	<b>926,747</b>	4,194,451
Retirement benefit obligations	<b>834,045</b>	557,226
Deferred income on government grants	<b>4,098,208</b>	4,741,050
	<b>73,152,601</b>	123,501,658
<b>Current liabilities</b>		
Trade payables	<i>18</i> <b>264,944,127</b>	159,738,961
Other payables and accruals	<i>19</i> <b>81,992,446</b>	76,574,402
Contract liabilities	<i>4</i> <b>47,391,730</b>	15,793,786
Due to related parties	<b>3,050,973</b>	2,358,424
Current income tax liabilities	<b>10,372,121</b>	10,066,126
Bank borrowings	<b>160,800,013</b>	139,959,769
Lease liabilities	<i>13</i> <b>1,396,770</b>	639,942
Derivative financial instruments	<b>6,255,855</b>	3,383,077
	<b>576,204,035</b>	408,514,487
<b>Total liabilities</b>	<b>649,356,636</b>	532,016,145
<b>Total equity and liabilities</b>	<b>1,161,198,230</b>	967,534,266
<b>Net current assets</b>	<b>185,525,024</b>	196,794,411
<b>Total assets less current liabilities</b>	<b>584,994,195</b>	559,019,779

## 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, Uglan 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 leisure products in Europe, North America, People's Republic of China (the "PRC") and other global markets.

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

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

These consolidated financial statements are presented in United States dollars ("US\$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on March 30, 2021.

### 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 2020 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 or 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 2020 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, 2020:

		<b>Effective for accounting year beginning on or after</b>
Amendments to HKAS 1 and HKAS 8	Definition of Material	January 1, 2020
Amendments to HKFRS 3	Definition of a Business	January 1, 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform	January 1, 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	January 1, 2020
Amendments to HKFRS 16	COVID-19-Related Rent Concessions	June 1, 2020

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

### *(b) Certain new accounting standards and interpretations have been published which are not mandatory for December 31, 2020 reporting period 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.*

		<b>Effective for accounting year beginning on or after</b>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	January 1, 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	January 1, 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	January 1, 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
Annual Improvements to HKFRS Standards 2018-2020		January 1, 2022
HKFRS 17	Insurance contracts	January 1, 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

### 3 SEGMENT INFORMATION

The executive directors of the Company 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 located in Mainland China and Vietnam, 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. The 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:

	<b>For the year ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	2019
	<i>US\$</i>	<i>US\$</i>
Europe (i)	<b>541,702,983</b>	498,470,160
North America (ii)	<b>250,854,001</b>	241,937,543
Asia Pacific (iii)	<b>89,803,735</b>	71,180,049
Including: Mainland China	<b>35,218,702</b>	22,090,043
Rest of the world (iv)	<b>109,460,736</b>	123,038,866
Total	<b><u>991,821,455</u></b>	<u>934,626,618</u>

No individual customer's revenue exceeds 10% of the Group's total revenue for each of the years ended December 31, 2020 and 2019.

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

	<b>As at December 31,</b>	
	<b>2020</b>	2019
	<i>US\$</i>	<i>US\$</i>
Europe (i)	<b>7,502,791</b>	3,917,455
North America (ii)	<b>3,446,433</b>	3,149,845
Asia Pacific (iii)	<b>379,715,298</b>	349,074,569
Including: Mainland China	<b>367,337,257</b>	340,475,925
Rest of the world (iv)	<b>298,177</b>	207,044
Total	<b><u>390,962,699</u></b>	<u>356,348,913</u>



Note:

- (i) Europe refers to countries in the European Economic Area (including France, Germany, Italy, etc.), Russia, United Kingdom, 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

	<b>For the year ended December 31,</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Revenue</b>	<b>Cost of sales</b>	<b>Revenue</b>	<b>Cost of sales</b>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Above-ground Pools and Portable Spas	<b>550,932,228</b>	<b>397,730,036</b>	449,551,889	332,061,534
Recreation Products	<b>170,098,651</b>	<b>123,091,996</b>	189,630,615	135,805,635
Camping Products	<b>172,612,056</b>	<b>139,934,835</b>	176,139,829	139,116,930
Sporting Products	<b>98,178,520</b>	<b>68,418,866</b>	119,304,285	79,642,957
	<b><u>991,821,455</u></b>	<b><u>729,175,733</u></b>	<u>934,626,618</u>	<u>686,627,056</u>

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

	<b>As at December 31,</b>	
	<b>2020</b>	<b>2019</b>
	<i>US\$</i>	<i>US\$</i>
Current contract assets relating to its right to recover products from customers on settling the refund liability (i)	–	158,585
Loss allowance	–	–
Total contract assets	<u>–</u>	<u>158,585</u>
Contract liabilities – advance from customers (ii)	<b>47,391,730</b>	15,563,952
Contract liabilities – a refund liability for right of sales return (i)	–	229,834
Total contract liabilities	<b><u>47,391,730</u></b>	<u>15,793,786</u>

Note:

- (i) The assets and liabilities are remeasured at each reporting date and adjusted for changes in expectations about the amount of refunds as follow:
- adjustments to the refund liabilities are recognised in revenue.
  - adjustments to the asset are recognised in cost of goods sold.
- (ii) Contract liabilities relating to advance from customers were recognised as revenue when the control of products were transferred to the customers. Total amount of contract liabilities of US\$15,563,952 of December 31, 2019 and US\$13,393,013 of December 31, 2018 has been recognised as revenue for the years ended December 31, 2020 and 2019.

## 5 OTHER INCOME AND EXPENSES

### Other income

	For the year ended December 31,	
	2020	2019
	US\$	US\$
Sales of raw materials and scraps	5,676,348	7,053,901
Rental and related services income (i)	4,579,954	4,783,338
Government grants	3,388,036	2,231,001
Interest Income	919,060	526,959
Others	583,425	212,881
	<u>15,146,823</u>	<u>14,808,080</u>

### Other expenses

	For the year ended December 31,	
	2020	2019
	US\$	US\$
Cost of raw materials and scraps	5,314,501	5,847,201
Depreciation of investment properties	780,987	720,263
Other expenses related to rental and related service income	177,762	273,831
Others	283,748	–
	<u>6,556,998</u>	<u>6,841,295</u>

Note:

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

## 6 OTHER GAINS – NET

	For the year ended	
	December 31,	
	2020	2019
	US\$	US\$
Financial assets at fair value through profit or loss		
– Fair value gains	79,189	238,688
Derivative financial instruments		
– Unrealised fair value changes on derivative financial instruments	16,939,221	19,827,881
– Realised gains/(losses) on derivative financial instruments	487,396	(18,426,731)
– Unrealised fair value changes on interest rate swap contracts	(279,086)	–
Losses on disposal of property, plant and equipment	(346,515)	(2,213,441)
Net foreign exchange (losses)/gains	(16,045,034)	2,543,243
Other gains	258,193	1,851,717
	<u>1,093,364</u>	<u>3,821,357</u>

## 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,	
	2020	2019
	US\$	US\$
Raw materials and consumables used	578,909,402	537,433,637
Change in work-in-progress and finished goods	(3,193,752)	(4,188,910)
Wages and salaries, social welfare and benefits, including director's emoluments	156,121,916	151,308,452
Transportation expenses	47,137,226	36,115,028
Depreciation and amortisation	29,238,210	25,337,698
Service fees and commissions	24,501,822	22,239,630
Utility fee	17,313,847	18,866,137
Processing fee	11,769,176	12,720,333
Research and development expenses	10,580,281	7,492,050
Advertising and promotion expenses	9,980,633	11,302,055
Royalty expenses	7,110,988	6,796,594
Maintenance and repair	6,835,185	7,648,702
After-sale services	4,868,311	3,606,294
Warehouse expense	4,710,575	3,758,755
Write-down of inventories	1,423,786	421,122
Auditors' remuneration	779,039	613,214
Other expenses	18,487,832	26,556,745
	<u>926,574,477</u>	<u>868,027,536</u>

## 8 FINANCE EXPENSES – NET

	For the year ended	
	December 31,	
	2020	2019
	US\$	US\$
Finance expenses:		
– Interest expenses on bank borrowings	(10,536,943)	(14,458,313)
– Interest expense on discounted notes payables	–	(224,110)
– Interest expenses on retirement benefit obligations	(58,514)	(41,178)
– Interest expenses on lease liabilities	(162,811)	(113,579)
– Foreign exchange gains/(losses) on financing activities	1,147,900	(1,409,075)
Less: amounts capitalised on qualifying assets	<u>342,087</u>	<u>861,897</u>
	<u>(9,268,281)</u>	<u>(15,384,358)</u>

## 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,	
	2020	2019
	US\$	US\$
Current income tax	14,454,529	13,505,440
Deferred income tax ( <i>Note 20</i> )	(2,468,444)	(568,288)
Under provision in prior year	<u>(307,517)</u>	<u>(604,371)</u>
Income tax expenses	<u>11,678,568</u>	<u>12,332,781</u>

### (a) Cayman Islands profits tax

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

### (b) 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.

(c) **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, 2020 and 2019.

(d) **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 2020.

(e) **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, 2020 and 2019.

The Company's subsidiary, Bestway (Vietnam) Recreation Limited, has preferential tax rate of 10% in 15 years from the first year it generates revenue from business activities, and is exempted from income tax for 4 years and entitled to a 50% reduction in income tax for the subsequent 9 years since the first year of arising taxable income from principal activities.

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:

	<b>For the year ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
	<i>US\$</i>	<i>US\$</i>
Profit before income tax	<u>61,622,072</u>	<u>59,908,687</u>
Tax calculated at applicable tax rates	<b>14,170,385</b>	15,715,749
Income not subject to profits tax	<b>(54,547)</b>	(50,249)
Expenses not deductible for tax purpose	<b>432,714</b>	279,612
Tax benefit from HNTE qualification	<b>(1,175,271)</b>	(1,695,019)
Additional deduction of research and development expenses	<b>(1,037,412)</b>	(1,160,949)
Unrecognised tax losses	<b>183,271</b>	110,255
Utilisation of unrecognised tax losses in prior year	<b>(533,055)</b>	(262,247)
Annual tax filling difference in prior year	<u><b>(307,517)</b></u>	<u>(604,371)</u>
Income tax expense	<u><b>11,678,568</b></u>	<u>12,332,781</u>

## 10 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the net profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue for the year ended December 31, 2020 and 2019.

	For the year ended	
	December 31,	
	2020	2019
	US\$	US\$
Profit attributable to the shareholders of the Company	47,101,189	44,715,005
Weighted average number of ordinary shares in issue	<u>1,058,391,000</u>	<u>1,058,391,000</u>
Basic earnings per share	<u>0.0445</u>	<u>0.0422</u>

### (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,	
	2020	2019
	US\$	US\$
Profit attributable to the shareholders of the Company	47,101,189	44,715,005
Weighted average number of ordinary shares in issue	1,058,391,000	1,058,391,000
Adjustments for share options	<u>–</u>	<u>1,156,195</u>
	<u>1,058,391,000</u>	<u>1,059,547,195</u>
Diluted earnings per share	<u>0.0445</u>	<u>0.0422</u>

## 11 DIVIDENDS

	For the year ended December 31,	
	2020	2019
	US\$	US\$
Final dividend paid for the year ended December 31, 2019 of US\$0.0084 (2018: US\$0.0123) per fully paid share	<u>8,890,484</u>	<u>13,018,209</u>
Proposed final dividend (i)	<u>14,182,439</u>	<u>8,890,484</u>

*Note:*

- (i) A proposed final dividend in respect of the year ended December 31, 2020 of US\$0.0134 (2019: US\$0.0084) per fully paid share, amounting to a total dividend of US\$14,182,439 (2019: US\$8,890,484) is to be presented for approval at the annual general meeting of the Company on May 28, 2021. These financial statements do not reflect this as dividend payable.

## 12 PROPERTY, PLANT AND EQUIPMENT

	Buildings US\$	Machinery and factory equipment US\$	Vehicles US\$	Other equipment and fixtures US\$	Construction in progress US\$	Total US\$
<b>Year ended December 31, 2020</b>						
Opening net book amount	210,457,183	55,645,414	3,571,585	15,910,177	18,282,749	303,867,108
Transferred from construction in progress	13,291,178	14,170,866	411,050	1,768,088	(29,641,182)	-
Other additions	1,477,313	3,204,750	148,877	1,482,984	33,033,694	39,347,618
Transferred to intangible assets	-	-	-	-	(2,510,515)	(2,510,515)
Disposals	(36,286)	(509,122)	(31,269)	(98,236)	-	(674,913)
Depreciation charge	(12,270,009)	(8,639,819)	(1,251,595)	(4,329,219)	-	(26,490,642)
Currency translation differences	<u>14,221,806</u>	<u>3,616,000</u>	<u>213,146</u>	<u>1,020,338</u>	<u>1,016,126</u>	<u>20,087,416</u>
<b>Closing net book amount</b>	<u>227,141,185</u>	<u>67,488,089</u>	<u>3,061,794</u>	<u>15,754,132</u>	<u>20,180,872</u>	<u>333,626,072</u>
<b>At December 31, 2020</b>						
Cost	283,967,348	112,843,319	8,636,472	36,048,927	20,180,872	461,676,938
Accumulated depreciation	<u>(56,826,163)</u>	<u>(45,355,230)</u>	<u>(5,574,678)</u>	<u>(20,294,795)</u>	-	<u>(128,050,866)</u>
<b>Net book amount</b>	<u>227,141,185</u>	<u>67,488,089</u>	<u>3,061,794</u>	<u>15,754,132</u>	<u>20,180,872</u>	<u>333,626,072</u>

	Buildings US\$	Machinery and factory equipment US\$	Vehicles US\$	Other equipment and fixtures US\$	Construction in progress US\$	Total US\$
<b>Year ended December 31, 2019</b>						
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 14)	(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	<u>(3,176,932)</u>	<u>(948,085)</u>	<u>(53,868)</u>	<u>(240,050)</u>	<u>(378,228)</u>	<u>(4,797,163)</u>
<b>Closing net book amount</b>	<u>210,457,183</u>	<u>55,645,414</u>	<u>3,571,585</u>	<u>15,910,177</u>	<u>18,282,749</u>	<u>303,867,108</u>
<b>At December 31, 2019</b>						
Cost	253,654,608	90,590,027	7,768,201	32,306,524	18,282,749	402,602,109
Accumulated depreciation	<u>(43,197,425)</u>	<u>(34,944,613)</u>	<u>(4,196,616)</u>	<u>(16,396,347)</u>	–	<u>(98,735,001)</u>
<b>Net book amount</b>	<u>210,457,183</u>	<u>55,645,414</u>	<u>3,571,585</u>	<u>15,910,177</u>	<u>18,282,749</u>	<u>303,867,108</u>

During the years ended December 31, 2020 and 2019, the Group has capitalised borrowing costs amounting to US\$342,087 and US\$861,897, respectively, on qualifying assets. Borrowing costs were capitalised at the weighted average rate of 4.30% and 5.60% 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:

	<b>For the year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
Cost of sales	<b>15,009,521</b>	13,008,830
Selling and distribution expenses	<b>35,070</b>	194,964
General and administrative expenses	<b>11,446,051</b>	10,214,907
<b>Total</b>	<b><u>26,490,642</u></b>	<b><u>23,418,701</u></b>



As at December 31, 2020 and 2019, buildings of the Group with a total net book value of RMB283,880,934 (equivalent to US\$43,507,323) and RMB798,125,972 (equivalent to US\$114,406,980) respectively, were pledged to secure bank borrowings.

As at December 31, 2020 and 2019, machinery and factory equipment of the Group with a total net book value of RMB52,889,748 (equivalent to US\$8,105,833) and RMB66,278,548 (equivalent to US\$9,500,666) respectively, were pledged to secure bank borrowings.

### 13 LEASES

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

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

The balance sheet shows the following amounts relating to leases:

	<b>As at December 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
<b>Right-of-use assets</b>		
Land use rights ( <i>i</i> )	<b>41,971,737</b>	38,000,517
Buildings	<b><u>3,016,289</u></b>	<u>1,817,860</u>
	<b><u><u>44,988,026</u></u></b>	<u><u>39,818,377</u></u>
Lease liabilities		
Current	<b>1,396,770</b>	639,942
Non-current	<b><u>1,716,211</u></b>	<u>1,221,099</u>
	<b><u><u>3,112,981</u></u></b>	<u><u>1,861,041</u></u>

*Note:*

- (i) The Group has land lease arrangement with the local governments of Mainland China and the government of Vietnam.

As at December 31, 2020 and 2019, land use rights of the Group, all located in Mainland China, with a total net book value of RMB71,728,544 (equivalent to US\$10,993,049) and RMB221,876,331 (equivalent to US\$31,804,755) respectively, were pledged to secure bank borrowings.

As at December 31, 2020 and 2019, the Group had a collectively-owned land use right with a net book value of RMB8,296,668 (equivalent to US\$1,271,539) and RMB8,650,152 (equivalent to US\$1,239,952), respectively.

(b) 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,	
	2020	2019
	US\$	US\$
Depreciation charge of right-of-use assets		
Land use rights	906,331	837,161
Buildings	<u>1,270,649</u>	<u>670,925</u>
	<u>2,176,980</u>	<u>1,508,086</u>
Interest expense (included in finance cost) (Note 8)	162,811	113,579
Expense relating to short-term leases (included in cost of sales, selling expenses and administrative expenses)	<u>124,982</u>	<u>2,000,317</u>

The total cash outflow for leases in 2020 and 2019 was US\$1,338,104 and US\$627,744, respectively.

14 INVESTMENT PROPERTIES

	For the year ended December 31,	
	2020	2019
	US\$	US\$
Opening net book amount	9,384,023	8,477,978
Transferred from property, plant and equipment (Note 12)	–	1,772,153
Depreciation	(780,987)	(720,263)
Currency translation differences	<u>622,039</u>	<u>(145,845)</u>
Closing net book amount	<u>9,225,075</u>	<u>9,384,023</u>

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

	For the year ended December 31,	
	2020	2019
	US\$	US\$
Rental and related services income	4,579,954	4,783,338
Direct operating expenses from property that generated rental income and related service	<u>958,749</u>	<u>994,094</u>

As at December 31, 2020 and 2019, no investment properties were pledged to secure bank borrowings.

(b) 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:

	As at December 31,	
	2020	2019
	US\$	US\$
Later than 5 years	28,689,365	31,340,944
Later than 1 year but not later than 5 years	13,063,262	13,015,678
Not later than 1 year	<u>3,715,111</u>	<u>3,536,394</u>
	<u>45,467,738</u>	<u>47,893,016</u>

15 TRADE RECEIVABLES

	As at December 31,	
	2020	2019
	US\$	US\$
Trade receivables	146,615,752	195,013,276
Less: allowance for impairment of trade receivables	<u>(7,577,341)</u>	<u>(4,596,918)</u>
	<u>139,038,411</u>	<u>190,416,358</u>

As at December 31, 2020 and 2019, the ageing analysis of the trade receivables based on invoice date is as follows:

	<b>As at December 31,</b>	
	<b>2020</b>	2019
	<i>US\$</i>	<i>US\$</i>
Up to 3 months	<b>126,060,833</b>	132,653,943
4 to 6 months	<b>12,411,993</b>	22,912,306
7 to 9 months	<b>6,619,928</b>	29,666,670
10 to 12 months	<b>1,519,735</b>	9,261,120
Over 1 year	<b>3,263</b>	519,237
	<b><u>146,615,752</u></b>	<b><u>195,013,276</u></b>

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:

	<b>As at December 31,</b>	
	<b>2020</b>	2019
	<i>US\$</i>	<i>US\$</i>
US\$	<b>126,642,045</b>	186,539,425
EUR	<b>18,746,335</b>	3,929,367
RMB	<b>1,162,196</b>	4,510,752
Other currencies	<b>65,176</b>	33,732
	<b><u>146,615,752</u></b>	<b><u>195,013,276</u></b>

**(a) Pledged trade receivables**

As at December 31, 2020 and 2019, the Group pledged trade receivables of EUR1,794,888 (equivalent to US\$2,017,471) and EUR1,089,040 (equivalent to US\$1,220,076), respectively, as securities for the banking facility and borrowings.

**(b) Fair values of trade receivables**

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

(c) **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:

	<b>For the year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
	<i>US\$</i>	<i>US\$</i>
<b>At the beginning of the year</b>	<b>(4,596,918)</b>	(2,264,620)
Provision for impairment of trade receivables	<b>(2,941,663)</b>	(2,277,666)
Currency translation differences	<b>(38,760)</b>	(54,632)
	<hr/>	<hr/>
<b>At the end of the year</b>	<b><u>(7,577,341)</u></b>	<b><u>(4,596,918)</u></b>

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 and foreign currency risk can be found in the 2020 annual report.

**16 SHARE CAPITAL AND SHARE PREMIUM**

	<b>Number of issued shares</b>	<b>Ordinary shares</b>	<b>Share premium</b>	<b>Total</b>
		<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
At December 31, 2020 and 2019	<u>1,058,391,000</u>	<u>1,355,633</u>	<u>140,636,893</u>	<u>141,992,526</u>

## 17 OTHER RESERVES

	<b>Retained earnings</b> <i>US\$</i>	<b>Other Reserves</b> <i>US\$</i>	<b>Total</b> <i>US\$</i>
<b>Balance at January 1, 2019</b>	276,828,582	(9,490,935)	267,337,647
Profit for the year	44,715,005	–	44,715,005
Dividends ( <i>Note 11</i> )	(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)
<b>Balance at December 31, 2019</b>	<u>308,525,378</u>	<u>(17,344,401)</u>	<u>291,180,977</u>
Profit for the year	47,101,189	–	47,101,189
Dividends ( <i>Note 11</i> )	(8,890,484)	–	(8,890,484)
Transaction with non-controlling interest	–	(177,124)	(177,124)
Employees share option scheme:			
– Value of employee services	–	(370,058)	(370,058)
Currency translation differences	–	35,051,243	35,051,243
<b>Balance at December 31, 2020</b>	<u><u>346,736,083</u></u>	<u><u>17,159,660</u></u>	<u><u>363,895,743</u></u>

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, 2020 and 2019, PRC subsidiaries set aside after-tax profit of US\$1,163,338 and US\$3,116,589, respectively, to their statutory reserve funds. As at December 31, 2020 and 2019, the accumulated amount of such statutory reserve funds was US\$38,147,986 and US\$36,984,648, respectively.

## 18 TRADE PAYABLES

	<b>As at December 31,</b>	
	<b>2020</b>	2019
	<i>US\$</i>	<i>US\$</i>
Trade payables	<u><b>264,944,127</b></u>	<u>159,738,961</u>

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

	<b>As at December 31,</b>	
	<b>2020</b>	2019
	<i>US\$</i>	<i>US\$</i>
RMB	<b>212,691,635</b>	120,271,170
US\$	<b>47,192,774</b>	33,597,999
Other	<u><b>5,059,718</b></u>	<u>5,869,792</u>
	<u><b>264,944,127</b></u>	<u>159,738,961</u>

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

	<b>As at December 31,</b>	
	<b>2020</b>	2019
	<i>US\$</i>	<i>US\$</i>
Within 3 months	<b>260,801,115</b>	156,738,029
4 to 6 months	<b>3,576,295</b>	305,365
7 to 12 months	<b>111,544</b>	2,449,918
1 to 2 years	<u><b>455,173</b></u>	<u>245,649</u>
	<u><b>264,944,127</b></u>	<u>159,738,961</u>

## 19 OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2020	2019
	US\$	US\$
<b>Current</b>		
Accruals and other payables	59,197,175	64,294,241
Payroll and employee benefit payables	22,296,397	14,623,162
Tax payables	1,183,987	577,835
Interest payables	<u>241,634</u>	<u>1,273,615</u>
Less: Long-term payables	<u>(926,747)</u>	<u>(4,194,451)</u>
	<u><b>81,992,446</b></u>	<u><b>76,574,402</b></u>

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

## 20 DEFERRED INCOME TAX

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

	As at December 31,	
	2020	2019
	US\$	US\$
Deferred tax assets:		
– Deferred tax asset to be recovered within 12 months	7,075,915	3,858,621
– Deferred tax asset to be recovered after more than 12 months	<u>874,555</u>	<u>1,368,603</u>
	<u><b>7,950,470</b></u>	<u><b>5,227,224</b></u>
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered within 12 months	<u>(1,074,036)</u>	<u>(806,372)</u>
Deferred tax assets, net	<u><b>6,876,434</b></u>	<u><b>4,420,852</b></u>



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

	<b>For the year ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	2019
	<i>US\$</i>	<i>US\$</i>
At beginning of year	<b>4,420,852</b>	3,888,496
Currency translation differences	<b>(12,862)</b>	(35,932)
Statements of profit or loss – credit/(charge) ( <i>Note 9</i> )	<b><u>2,468,444</u></b>	<u>568,288</u>
At end of year	<b><u><u>6,876,434</u></u></b>	<u><u>4,420,852</u></u>

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

	<b>Provisions</b>	<b>Tax losses</b>	<b>Fair value</b>	<b>Unrealised</b>	<b>Deferred</b>	<b>Total</b>
	<i>US\$</i>	<i>US\$</i>	<i>losses</i>	<i>profits</i>	<i>government</i>	<i>US\$</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
At January 1, 2019	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	<u>(18,399)</u>	<u>(3,900)</u>	<u>(392)</u>	<u>(86)</u>	<u>(25,725)</u>	<u>(48,502)</u>
At December 31, 2019	<b><u>1,769,395</u></b>	<b><u>80,759</u></b>	<b><u>–</u></b>	<b><u>2,191,808</u></b>	<b><u>1,185,262</u></b>	<b><u>5,227,224</u></b>
(Charged)/credited to the consolidated statements of profit or loss	2,001,902	(83,458)	1,311,636	(293,462)	(234,576)	2,702,042
Currency translation differences	<u>(119,587)</u>	<u>2,699</u>	<u>64,205</u>	<u>21</u>	<u>73,866</u>	<u>21,204</u>
At December 31, 2020	<b><u>3,651,710</u></b>	<b><u>–</u></b>	<b><u>1,375,841</u></b>	<b><u>1,898,367</u></b>	<b><u>1,024,552</u></b>	<b><u>7,950,470</u></b>

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, 2020 and 2019, the Group did not recognise deferred tax assets of US\$183,271 and US\$110,255, in respect of losses amounting to US\$953,847 and US\$565,709 that can be carried forward against future taxable income.

## Deferred tax liabilities

	<b>Rental income</b> <i>US\$</i>	<b>Fair value gains</b> <i>US\$</i>	<b>Others</b> <i>US\$</i>	<b>Total</b> <i>US\$</i>
At January 1, 2019	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	<u>(6,516)</u>	<u>(9,723)</u>	<u>3,669</u>	<u>(12,570)</u>
At December 31, 2019	<u>469,923</u>	<u>53,442</u>	<u>283,007</u>	<u>806,372</u>
Charged/(credited) to the consolidated statements of profit or loss	127,315	17,267	89,016	233,598
Currency translation differences	<u>36,906</u>	<u>(2,839)</u>	<u>(1)</u>	<u>34,066</u>
At December 31, 2020	<u>634,144</u>	<u>67,870</u>	<u>372,022</u>	<u>1,074,036</u>

As at December 31, 2020 and 2019, deferred tax liabilities of US\$10,362,952 and US\$9,875,408 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\$207,259,952 and US\$197,508,153, as at December 31, 2020 and 2019, respectively.

## CHAIRMAN'S STATEMENT

Dear Shareholders,

The Group is a global branded company for outdoor leisure products. Despite the impact of global outbreak of COVID-19 pandemic, during the year ended December 31, 2020 (the “**year under review**”), the Group still managed to achieve growth in its sales revenue. Regardless of the uncertainties in global economic development and continuing trade conflicts between China and the United States of America (“**U.S.**”), the Group performed well in terms of product sales in major regions across the world, which reflected the Group’s leading product research and development (“**R&D**”) capabilities, strong manufacturing capacities, large market share and strong influence on the market.

### RESULTS AND DIVIDEND

During the year under review, the Group’s revenue amounted to approximately US\$991.8 million, which was again record breaking in the Group’s history, representing a year-on-year growth of 6.1%. The Group’s gross profit margin remained stable at a level of 26.5% and the Group’s net profit recorded a satisfactory increase of 5.0% from US\$47.6 million in 2019 to US\$49.9 million in 2020. Under the impact of the global outbreak of COVID-19 pandemic, the demand for outdoor leisure products (for example, the water sports products which cannot meet the social distancing requirement) dropped slightly; while the demand for domestic and backyard leisure products, such as the above-ground pools & portable spa and backyard play center recorded exponential growth, driving the increase in the Group’s overall sales volume and improvement of the Group’s ability to maintain stable profitability. The Board has proposed a final dividend of approximately US\$14.2 million, i.e. US\$0.0134 per Share (equivalent to approximately HK\$0.1041 per Share), representing a dividend payout ratio of 30%.

### BUSINESS REVIEW

In 2020, the Group further consolidated its leading market share in the world. The Group has one-third of the global market share in the inflatable sports leisure products industry, retaining a leading position in market in the subdivided geographical regions all over the world. Brand awareness and market penetration of products of the Group continued to rise in all major regions across the world, which enhanced the cooperation between the Group and its major customers (retailers) and e-commerce operators, and continuously enhanced user loyalty to its products.

## **Our Products**

During the year under review, our four core product groups recorded a satisfactory overall performance. In particular, the Group's main product group, above-ground pools & portable spa demonstrated an outstanding performance with 22.6% growth. Such rapid growth was mainly attributable to the impact of the global outbreak of COVID-19 pandemic, due to which more people had to stay at home for a longer period of time as work-at-home arrangements increased and people refrained from going outdoors and joining gatherings, thereby leading to a significant increase in the market demand for such products. In the long run, the target customers of such products of the Group increased significantly during the global outbreak of COVID-19 pandemic, and the market condition after the global outbreak of COVID-19 pandemic will also be promising. In addition, the global outbreak of COVID-19 pandemic caused a decrease in outdoor activities, and accordingly a decrease in demand for recreation products and sporting products. Although the sales volume of outdoor items of camping products also reduced due to the same reason, the indoor and domestic product series launched by the Group in the past two years received satisfactory market feedback, and showed rapid growth, representing a great growth momentum in the future.

## **Our Geographical Region**

During the year under review, the Group maintained a positive growth momentum in major geographical regions. In the European market, the largest contributor of the Group's revenue, we maintained a solid growth rate of 8.7% 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 our sales channels, the Group was able to provide a more refined local service in Europe gradually over the years, which was particularly appealing to and highly favoured in the markets in Germany and France. The brand new portable spa, small- and medium-sized anti-rust frame pools are the best sellers of the Company and the sales of inflatable outdoor play center and stand-up paddle boards maintained significant growth. The Group's revenue in the North American market demonstrated an increase by 3.7%. The trade dispute between China and the U.S., and the business suspension of some stores in U.S. in the summer due to COVID-19 pandemic affected 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 solid growth. Meanwhile, the indoor and domestic inflatable products were very popular in the market, and therefore the sales of whole series of camping products recorded a rapid growth of 27.4% in North America. In the Asia-Pacific region, in which the impact of COVID-19 pandemic was small, the Group recorded a rapid growth in revenue by 26.2%. In particular, the Mainland China market was the first to show signs of recovery from COVID-19 pandemic, in which the Group achieved a significant growth of 59.4% with our in-depth and detailed planning on integrated development of e-commerce channel and wholesale markets in the past few years.

In order to continuously expand our global sales presence, the Group has integrated the operation and management of online sales channels, and further enhanced our promotional capability in respect of online sales. Both the third-party e-commerce platforms and the Company's own e-commerce platform achieved rapid development in the past year.

## **Product Innovation**

The Group's 2021 sales year (for the period from May 1, 2020 to April 30, 2021) began in May 2020. During the 2021 sales year, the Group paid more attention to further expanding on sales channels by differentiating products and improving the promotion of new products to the markets, including: 1) optimizing above-ground pools and portable spa products user experience and focusing on the development of product intelligence; 2) increasing the investment into backyard and indoor products series to cope with the special situation in the market caused by the global outbreak of COVID-19 pandemic; 3) widening the application of new composite materials, such as TOUGH GUARD cloth laminating material and DURAPLUS three-layer clip net used in inflatable domestic 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; 4) stocking reserve of new products to cope with the possible retaliatory re-bounce of market demand for outdoor leisure products after the global outbreak of COVID-19 pandemic calms down. Once the pandemic becomes under control, the prepared new products will be launched swiftly to increase the market share held by the Company and meet customers' demand.

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\$20.0 million, which was approximately 25.0% higher than US\$16.0 million of last year. As of December 2020, in China, the U.S. and Europe, 298 patents had been obtained by the Group (among them, 72 patents were obtained during the year under review), and another 134 patent applications had been made, including invention patents and structural design patents. The patents held have strengthened the competitiveness of BESTWAY brand products within the industry.

## **Production Facility**

The Group operates a vertically integrated business model with our product production, manufacturing and supply chain completed by ourselves. The Group's manufacturing sites in operation during the year under review are located in (i) Yancheng, Jiangsu; (ii) Haiyan, Jiangsu; (iii) Rugao, Jiangsu; (iv) Shanghai; and (v) Tien Giang Province, Vietnam.

At present, all manufacturing sites cover a total area of 1,483,848 square meters of land, and 1,187,755 square meters of factories and warehouses are in operation, including 76,382 square meters of factories and warehouses newly constructed in 2020. In addition, 185,525 square meters of factories and warehouses are under construction currently.

The capital expenditure of the Group during the year under review was US\$58.7 million, which was mainly used for the aforementioned capacity expansion.

During the year under review, Phase 1 the Group's manufacturing site in Vietnam, located in Long Giang Industrial Park near Ho Chi Minh City, has officially commenced operation since January 2020. Phase 1 of the manufacturing site, which covers 51,240 square meters of land with 35,000 square meters of factory, achieved actual production capacity of about US\$30 million in 2020. This production facility mainly produces the air mattresses for the camping products of our four core product groups. Phase 2 of the manufacturing site, which covers 93,240 square meters of land with 101,525 square meters of factory and warehouse, is expected to commence operation in December 2021. With the improvement of production efficiency of Phase 1 and the official commencement of operation of Phase 2, the manufacturing site of the Company in Vietnam is expected to achieve an annual production capacity of US\$200 million after reaching its normal production efficiency.

After the expansion of production capacity of the Group's existing manufacturing sites, and commencement of operation of the newly built manufacturing site in Vietnam, a production capacity of over US\$2 billion is expected to be achieved in 2022 sales year (for the period from May 1, 2021 to April 30, 2022), which will be sufficient to enable the Group to fully meet the current rapid growth of sales orders.

## **OUTLOOK**

Looking ahead into the following year, the global economy is unstable, the impact of COVID-19 pandemic is expected to continue, and the China-U.S. trade conflict has not been settled yet. The Group will actively respond to the rapid change in the market, and focusing on the rapid growth in sales of backyard and domestic products will bring us another year with significant growth in sales volume. The Group's 2022 sales year (for the period from May 1, 2021 to April 30, 2022) will be kick-started in May 2021, and we remain optimistic about the continuous and rapid growth in sales revenue, and have made sufficient preparations in product development, capacity expansion, logistic support and other aspects.

In terms of cost, we will further optimize the structure of raw material suppliers and effectively control the cost of raw materials procurement. We will further optimize our administrative expenses through economies of scales. In terms of foreign exchange, we have exercised strict internal control on implementing the foreign exchange (FOREX) hedging policies and tools and will continue to maintain such practice.

In 2021, 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 to be used in air mattresses, e.g. DURAPLUS three-layer clip net and TOUGH GUARD cloth laminating material; and further expand the coverage of exclusive design patents of the anti-erosion protection device for stainless steel used for the frame of above-ground pools. On products invention, we will continue to replenish and upgrade over 20% of new product offerings each year. In particular, our newly launched large outdoor inflatable play center for backyard and new LED SPA are expected to have the most outstanding performance. Meanwhile, our smart phone APP-controlled indoor air mattresses are expected to attract significant consumer demand as an alternative furniture.

In 2021, we will continue to increase offline marketing channel penetration in mature markets such as Europe and North America. In light of the global outbreak of COVID-19 pandemic, our marketing efforts on e-commerce and social media are becoming more important, and the marketing departments set up across the world will continue to promote our brand and products on social media platforms around the globe. In addition, we have also continued to expand the collaboration with global e-commerce operators, and will further strengthen our relationship with renowned local third party e-commerce operators around the globe. Meanwhile, we will further promote the Group's own e-commerce platforms in China and Europe.

In terms of manufacturing, Phase 1 of the manufacturing site in Vietnam has started production in January 2020, and Phase 2 has also been included in the expansion plan. We will monitor the production efficiency of the production facilities closely and determine any future expansion plan. We will also continue to invest in production facility automation, artificial intelligence and other aspects, so as to improve the production efficiency continuously.

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 30, 2021

## MANAGEMENT DISCUSSION AND ANALYSIS

### RESULTS OF OPERATIONS

	For the year ended December 31,		
	2020 US\$	2019 US\$	Change (%)
<b>Operating Results</b>			
Revenue from contracts with customers	<b>991,821,455</b>	934,626,618	6.1
Cost of sales	<b>(729,175,733)</b>	(686,627,056)	6.2
Gross profit	<b>262,645,722</b>	247,999,562	5.9
Net profit	<b>49,943,504</b>	47,575,906	5.0
Net profit margin	<b>5.0%</b>	5.1%	(0.1) <sup>(2)</sup>

	For the year ended December 31,		
	2020	2019	Change
<b>Key Ratios (%)</b>			
Gross profit margin	<b>26.5%</b>	26.5%	(0.0)%
Net profit margin	<b>5.0%</b>	5.1%	(0.1)%
Gearing ratio <sup>(1)</sup>	<b>Not applicable</b>	42.1%	Not applicable

*Note:*

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

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

### Revenue

The revenue of the Group rose by 6.1% from US\$934.6 million for the year ended December 31, 2019 to US\$991.8 million for the year ended December 31, 2020. 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 the relatively stable gross profit margin of the Group, the net profit of the Group also increased by 5.0% from US\$47.6 million for the year ended December 31, 2019 to US\$49.9 million for the year ended December 31, 2020. The increase was mainly attributable to the Group's capability to maintain stable profitability and the high demand for the Group's products, especially for the above-ground pools and portable spas, driving the increase in sales and profitability of the Group.

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 receivables (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 for procurement of raw materials in US dollars 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:

Product Group	For the year ended December 31,				
	2020		2019		2020 vs. 2019
	US\$	%	US\$	%	% Change
Above-ground Pools & Portable Spas	<b>550,932,228</b>	<b>55.5</b>	449,551,889	48.1	<b>22.6</b>
Recreation Products	<b>170,098,651</b>	<b>17.2</b>	189,630,615	20.3	<b>(10.3)</b>
Camping Products	<b>172,612,056</b>	<b>17.4</b>	176,139,829	18.8	<b>(2.0)</b>
Sporting Products	<b>98,178,520</b>	<b>9.9</b>	119,304,285	12.8	<b>(17.7)</b>
<b>Total</b>	<b><u>991,821,455</u></b>	<b><u>100.0</u></b>	<b><u>934,626,618</u></b>	<b><u>100.0</u></b>	<b><u>6.1</u></b>

During the year under review, three out of four core product groups recorded a decline in sales in comparison to the year ended December 31, 2019. Above-ground pools & portable spas achieved a growth of 22.6% due to the outbreak of COVID-19 pandemic, under which home office policies have been widely adopted. Individuals also tended to stay at home rather than joining socializing events and gatherings, leading to an increase in users of such products. Hence, the demand for such products has surged over the year.

Meanwhile, the sales of recreation products and sporting products experienced a decrease. In light of the global COVID-19 pandemic, individuals were less keen to engage in outdoor activities and lowered the demand for these categories of products. Although the sales of outdoor products under the category of camping products was negatively affected, the indoor household products introduced by the Group over the past two years received positive feedbacks from the market with high potential of growth and promising future development. As a result, the overall sales of camping products only experienced a slight decrease.

## 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,				
	2020 US\$	%	2019 US\$	%	2020 vs. 2019 % Change
Europe <sup>(1)</sup>	<b>541,702,983</b>	<b>54.6</b>	498,470,160	53.3	<b>8.7</b>
North America <sup>(2)</sup>	<b>250,854,001</b>	<b>25.3</b>	241,937,543	25.9	<b>3.7</b>
Asia Pacific <sup>(3)</sup>	<b>89,803,735</b>	<b>9.1</b>	71,180,049	7.6	<b>26.2</b>
Including: Mainland China	<b>35,218,702</b>	<b>3.6</b>	22,090,043	2.4	<b>59.4</b>
Rest of the world <sup>(4)</sup>	<b>109,460,736</b>	<b>11.0</b>	123,038,866	13.2	<b>(11.0)</b>
Total	<b><u>991,821,455</u></b>	<b><u>100.0</u></b>	<b><u>934,626,618</u></b>	<b><u>100.0</u></b>	<b><u>6.1</u></b>

### Notes:

- (1) Europe refers to countries in the European Economic Area (including France, Germany, Italy, etc.), Russia, United Kingdom, 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, 2020, our market share in the European market continued to increase, recording a steady growth of 8.7%, mainly due to the tremendous efforts spent in further differentiating the sales channels and providing a more refined local service by the Group, which was particularly appealing to the markets in Germany and France. In particular, the brand new portable spas, brand new small- and medium-sized anti-rust frame pools are the best sellers of the Company in such regions.

For the year ended December 31, 2020, revenue in North America increased by 3.7% as the Group has offset the negative impact brought by the trade dispute between China and the U.S. and COVID-19 pandemic by differentiating product promotion and increasing the Group's market shares. The sales of main product lines of above-ground pools & portable spas demonstrated a stable increase while camping products recorded a rapid growth of 27.4% in North America as a whole which was driven by the tremendous popularity of inflatable indoor domestic products in the market.

Revenue in Asia Pacific increased by 26.2%, mainly due to lesser impact imposed by the outbreak of COVID-19 pandemic in Asia-Pacific region, particularly the market in Mainland China, which overcame the impacts of the pandemic relatively earlier than other regions. Further, the Group has endeavored to develop e-commerce channels and wholesales markets in the past few years, resulting in a remarkable growth of 59.4% recorded in the market in Mainland China.

Revenue in the rest of the world decreased by 11.0%, due to the outbreak of COVID-19 pandemic and the significant depreciation of currency in countries including Brazil and Argentina, which had led to further decrease in demand.

## Cost of Sales

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

	Revenue		Cost of Sales		% Change	
	For the year ended December 31,				Revenue	Cost of Sales
	2020	2019	2020	2019		
US\$	US\$	US\$	US\$			
Above-ground Pools & Portable Spas	<b>550,932,228</b>	449,551,889	<b>397,730,036</b>	332,061,534	<b>22.6</b>	<b>19.8</b>
Recreation Products	<b>170,098,651</b>	189,630,615	<b>123,091,996</b>	135,805,635	<b>(10.3)</b>	<b>(9.4)</b>
Camping Product	<b>172,612,056</b>	176,139,829	<b>139,934,835</b>	139,116,930	<b>(2.0)</b>	<b>0.6</b>
Sporting Products	<b>98,178,520</b>	119,304,285	<b>68,418,866</b>	79,642,957	<b>(17.7)</b>	<b>(14.1)</b>
Total	<b><u>991,821,455</u></b>	<u>934,626,618</u>	<b><u>729,175,733</u></b>	<u>686,627,056</u>	<b><u>6.1</u></b>	<b><u>6.2</u></b>

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 6.2% from US\$686.6 million for the year ended December 31, 2019 to US\$729.2 million for the year ended December 31, 2020 and was 73.5% and 73.5% as a percentage of revenue for the years ended December 31, 2019 and 2020, 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 5.9% from US\$248.0 million in 2019 to US\$262.6 million in 2020. Our gross profit margin remained relatively stable at 26.5%. Despite the negative impact brought by the appreciation in the exchange rate of Renminbi on the gross profit margin, the Group has offset such impact by continuously maximizing production efficiency and improving cost structure.

## **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, 2019 and 2020, our selling and distribution expenses were US\$106.2 million and US\$121.4 million, respectively, representing 11.4% and 12.2% of our revenue in these respective periods. The increase of 0.8 percentage points in selling and distribution expenses' proportion to our revenue was resulted from the increase in business volume of the Group for which Cost, Insurance and Freight terms were applicable to and an increase in shipping costs which together increased our logistics and related expenses.

### ***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 repairing fees and rental expenses. For the years ended December 31, 2019 and 2020, our general and administrative expenses were US\$75.2 million and US\$76.0 million. Our general and administrative expenses amounted to 8.1% and 7.7% of the revenue for the years ended December 31, 2019 and 2020, respectively. While the Company has steadily increased the investment in R&D, other management expenses (other than R&D expenses) were effectively controlled, hence, resulting in only a slight decrease of 0.4 percentage points in general and administrative expenses' proportion to our revenue.

### ***Other Gains – net***

Our other gains was US\$3.8 million and US\$1.1 million for the years ended December 31, 2019 and 2020. For further details, please refer to the analysis of foreign exchange risk in the paragraphs headed “— Results of Operations — Net profit”.

## ***Operating Profit***

Our operating profit decreased by 5.8% from US\$75.3 million for the year ended December 31, 2019 to US\$70.9 million for the year ended December 31, 2020. The decrease is mainly due to the increase in selling and distribution expenses, which in turn facilitated the stable growth in revenue of the Group.

## ***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, 2019 and 2020, the net amount of finance expenses was US\$15.4 million and US\$9.3 million, respectively, representing 1.6% and 0.9% of total revenue, respectively. The decrease of finance expenses was primarily due to (i) the decrease in loan interests due to some of the loans being repaid and the decrease in borrowing rate; and (ii) the decrease in loss from loan currency translation due to the appreciation in the exchange rate of Renminbi.

## ***Income Tax Expenses***

Our income tax expenses decreased by 5.3% from US\$12.3 million in 2019 to US\$11.7 million in 2020. Our effective income tax rate decreased from 20.6% in 2019 to 19.0% in 2020.

## ***Profit for the Year***

Our profit for the year increased by 5.0% from US\$47.6 million in 2019 to US\$49.9 million in 2020. 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, which also strengthened the Group's ability to maintain stable profitability.

## ***Intangible assets***

Our intangible assets increased by 286.5% from US\$0.8 million as of December 31, 2019 to US\$3.1 million as of December 31, 2020, as the establishment of the Group's information management system has been completed and is now in full operation, which enabled the Company to improve its overall operational efficiency.

## ***Derivative financial instruments (current asset)***

Our derivative financial instruments (current asset) increased by 1,227.6% from US\$1.6 million as of December 31, 2019 to US\$21.1 million as of December 31, 2020. Due to the appreciation in exchange rate of Renminbi on the balance sheet date, the foreign exchange contracts that the Group entered into recorded gains from the changes in fair values.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our primary uses of cash in 2020 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, 2020 mainly comprises expenditure on property, plant and equipment expenses incurred in the construction of production facilities in (i) Hai'an, Jiangsu; (ii) Rugao, Jiangsu; and (iii) Tinh Tien Giang, Vietnam. In 2020, 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:

	For the year ended December 31,	
	2020	2019
	US\$	US\$
Payments for property, plant and equipment	58,228,034	68,717,926
Payments for intangible assets	236,276	118,878
Payments for right-of-use assets	<u>2,497,683</u>	<u>5,042,731</u>
Proceeds from deposits for land use rights	<u>(2,254,383)</u>	<u>—</u>
<b>Total Capital Expenditure</b>	<b><u>58,707,610</u></b>	<b><u>73,879,535</u></b>

The capital expenditure of the Group decreased by 20.5% to US\$58.7 million for the year ended December 31, 2020 (2019: US\$73.9 million), as the Group has paid most of the payment installments of the construction expenses incurred in the expansion of manufacturing facilities which was completed in 2018. We plan to finance our capital commitments with bank borrowings and cash flows generated from operating activities.

## Liquidity and Cash Flow

	<b>For the year ended December 31,</b>		
	<b>2020</b>	2019	<b>Change</b>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
<b>Cash flow</b>			
Net cash generated from operating activities	<b>287,052,354</b>	97,532,554	<b>189,519,800</b>
Net cash used in investing activities	<b>(58,435,895)</b>	(74,206,859)	<b>15,770,964</b>
Net cash generated from financing activities	<b>(47,328,962)</b>	4,143,785	<b>(51,472,747)</b>
Net increase in cash and cash equivalent	<b><u>181,287,497</u></b>	<u>27,469,480</u>	<b><u>153,818,017</u></b>
	<b>As of December 31,</b>		
	<b>2020</b>	2019	<b>Change</b>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
<b>Current Assets and Current Liabilities</b>			
Current Assets	<b>761,729,059</b>	605,308,898	<b>156,420,161</b>
Current Liabilities	<b>(576,204,035)</b>	(408,514,487)	<b>(167,689,548)</b>
<b>Net Current Assets</b>	<b><u>185,525,024</u></b>	<u>196,794,411</u>	<b><u>(11,269,387)</u></b>

The gearing ratio improved for 2020 mainly due to the Group's improved cash flow from operating activities in 2020 and an increase in cash and cash equivalents as of December 31, 2020. The increase of 311.5% in cash and cash equivalent is mainly due to the Group's consistent and stable capability to generate profits and the effective measures taken to optimizing the working capital of the Group. The Group seeks to utilize the cash to satisfy the working capital requirement for the purpose of business development and for repayment of certain loans when due.

The Group's net cash inflow from operating activities was US\$287.1 million, representing an increase of US\$189.5 million as compared to December 31, 2019 (2019: net cash inflow US\$97.5 million). The increase in net cash inflow from operating activities was mainly attributed to the Group's consistent and stable capability to generate profits and the effective measures taken to optimize the working capital of the Group.

During the year under review, the net cash used in financing activities was US\$47.3 million for the year ended December 31, 2020, and the net cash generated from financing activities was US\$4.1 million for the year ended December 31, 2019. The significant reduction was mainly due to the Group's capability to generate sufficient cash flow from operating activities which allows the Group to repay certain loans and reduces the Group's reliance on financing activities.



## Borrowings

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

	<b>As at December 31,</b>	
	<b>2020</b>	<b>2019</b>
	<i>US\$</i>	<i>US\$</i>
<b>Non-current</b>		
Bank borrowings		
– Secured	<b>95,248,394</b>	129,721,784
Less: current portion of long-term bank borrowings	<u><b>(30,651,811)</b></u>	<u>(17,740,324)</u>
Total non-current borrowings	<u><b>64,596,583</b></u>	<u>111,981,460</u>
<b>Current</b>		
Short-term bank borrowings		
– Secured	<b>130,086,961</b>	117,243,451
– Unsecured	<b>61,241</b>	4,975,994
Add: current portion of long-term bank borrowings	<u><b>30,651,811</b></u>	<u>17,740,324</u>
	<u><b>160,800,013</b></u>	<u>139,959,769</u>
<b>Total borrowings</b>	<u><b>225,396,596</b></u>	<u>251,941,229</u>

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, 2019 and 2020, the weighted average effective interest rate of our borrowings was 4.62%, and 4.20% per annum, respectively. Our bank borrowings amounted to US\$251.9 million and US\$225.4 million as of December 31, 2019 and 2020, respectively. The decrease was primarily due to the sufficiency of the Company's working capital, which allows the Company to repay certain loans to lower the borrowing costs.

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

	<b>As of December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>Change</b>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Within one year	<b>160,800,013</b>	139,959,769	<b>20,840,244</b>
Over one year	<u><b>64,596,583</b></u>	<u>111,981,460</u>	<u><b>(47,384,877)</b></u>
Total	<u><b>225,396,596</b></u>	<u>251,941,229</u>	<u><b>(26,544,633)</b></u>

## 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,	
	2020	2019
	US\$	US\$
Raw materials	32,417,240	37,003,761
Work in progress	81,931,396	79,001,219
Finished goods	<u>187,745,274</u>	<u>188,900,560</u>
Total	<u><u>302,093,910</u></u>	<u><u>304,905,540</u></u>

Our inventories decreased by US\$2.8 million to US\$302.1 million as of December 31, 2020, compared to December 31, 2019, primarily due to the improvement in storage level of raw materials. This evidences our efforts spent in increasing cost-efficiency and optimizing production costs.

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

	For the year ended December 31,	
	2020	2019
Inventory turnover days <sup>(1)</sup>	<u><u>152</u></u>	<u><u>169</u></u>

*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 has recorded an improvement and decreased from 169 days in 2019 to 152 days in 2020, while the balance of inventories decreased from US\$304.9 million as of December 31, 2019 to US\$302.1 million as of December 31, 2020. The cost of sales also increased from US\$686.6 million to US\$729.2 million. These products are regular stocks and there is no risk of stagnate stocks.

## Trade Receivables

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

	As of December 31,	
	2020	2019
	US\$	US\$
Trade receivables	146,615,752	195,013,276
Less: allowance for impairment for trade receivables	<u>(7,577,341)</u>	<u>(4,596,918)</u>
Total trade nature receivables	<u>139,038,411</u>	<u>190,416,358</u>

Our trade receivables decreased by 24.8% from US\$195.0 million as of December 31, 2019 to US\$146.6 million as of December 31, 2020 as the Company has devoted greater efforts in collecting receivables from clients.

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

	For the year ended December 31,	
	2020	2019
Trade receivables turnover days <sup>(1)</sup>	<u>63</u>	<u>79</u>

*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 decreased from 79 days in 2019 to 63 days in 2020. The decrease was mainly due to the termination of the policy of temporary extension of credit period granted to certain strategic customers in previous years and the Company will continue to control the approval of credit term granted to its customers.

## Prepayments and Other Receivables

Our prepayments and other receivables increased from US\$41.6 million as of December 31, 2019 to US\$43.3 million as of December 31, 2020, mainly because of increase in deductible input VAT.

## Trade Payables

Our trade payables mainly comprise of purchases of raw materials. The trade payables are generally non-interest bearing and we settle most of our trade payables within 30 to 90 days of our suppliers' delivery of the products to us. However, some of our key suppliers granted us credit periods of up to 180 days. Our trade payables increased by 65.9% to US\$264.9 million as of December 31, 2020, primarily due to the peak season of production at the end of the year, resulting in a more significant increase in the purchase of raw materials as compared to the same period in previous years.

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

	<b>For the year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Trade payables turnover days <sup>(1)</sup>	<u><b>106</b></u>	<u><b>91</b></u>

*Note:*

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

Our trade payables turnover days increased from 91 days in 2019 to 106 days in 2020. The increase of trade payables turnover days was mainly due to the extension of credit period for certain suppliers.

## Other Payables and Accruals

Our other payables and accruals increased slightly by US\$2.1 million from US\$80.8 million as of December 31, 2019 to US\$82.9 million as of December 31, 2020 due to an increase in employee compensation and benefits.

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

During the year ended December 31, 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **EVENTS AFTER THE REPORTING PERIOD**

On January 5, 2021, Bestway (USA) Inc., an indirect non-wholly owned subsidiary of the Company, entered into a property acquisition agreement with Chandler Airport Commerce Park, L.L.C., pursuant to which Chandler Airport Commerce Park, L.L.C. has agreed to sell and Bestway (USA) Inc. has agreed to purchase a property located in Arizona, at an aggregate cash consideration of US\$14,695,980. Please refer to the announcement published by the Company on January 5, 2021 for details.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange 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, 2020, 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, 2020 to December 31, 2020.

## **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, 2020 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, 2020 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 "2021 AGM") will be held on May 28, 2021. The notice of the 2021 AGM will be published on the websites of the Company (<http://www.bestwaycorp.com>) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and sent to the Shareholders in due course.

## **FINAL DIVIDEND**

The Board has recommended a final dividend of US\$0.0134 per Share (equivalent to approximately HK\$0.1041 per Share at the exchange rate of US\$1.00 to HK\$7.7704) for the year ended December 31, 2020, amounting to a total of US\$14.2 million. Subject to Shareholders' approval at the 2021 AGM, the proposed final dividend will be distributed on July 7, 2021 to Shareholders whose names appear on the register of members of the Company on June 7, 2021 at 4:30 p.m.

If the proposed final dividend is approved by the Shareholders at the 2021 AGM, it will be payable in cash in HK dollars or US dollars, at the prevailing exchange rate of HK dollars to US dollars as at May 28, 2021 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 24, 2021. 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 2021 AGM**

For ascertaining Shareholders' right to attend and vote at the 2021 AGM, the register of members of the Company will be closed from May 25, 2021 to May 28, 2021, 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 2021 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 24, 2021 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 June 3, 2021 to June 7, 2021, 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 June 2, 2021 for registration. The record date and time for entitlement to the proposed final dividend is June 7, 2021 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](http://www.hkexnews.hk)) and on the website of the Company (<http://www.bestwaycorp.com>). The annual report for the year ended December 31, 2020 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 30, 2021

*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.*