



2021 中期報告 INTERIM REPORT



Bestway®

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

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Dai Guoqiang (戴國強)
 Mr. Lam Yiu Kin (林耀堅)
 Mr. Zhang Zhu (張鑄) (appointed on June 22, 2021)
 Mr. Yao Zhixian (姚志賢) (retired on May 28, 2021)

AUDIT COMMITTEE

Mr. Lam Yiu Kin (林耀堅) *(Chairman)*
 Mr. Dai Guoqiang (戴國強)
 Mr. Zhang Zhu (張鑄) (appointed on June 22, 2021)
 Mr. Yao Zhixian (姚志賢) (retired on May 28, 2021)

REMUNERATION COMMITTEE

Mr. Zhang Zhu (張鑄) *(Chairman)* (appointed on June 22, 2021)
 Mr. Lam Yiu Kin (林耀堅)
 Mr. Zhu Qiang (朱強)
 Mr. Yao Zhixian (姚志賢) (retired on May 28, 2021)

NOMINATION COMMITTEE

Mr. Dai Guoqiang (戴國強) *(Chairman)*
 Mr. Zhang Zhu (張鑄) (appointed on June 22, 2021)
 Mr. Zhu Qiang (朱強)
 Mr. Yao Zhixian (姚志賢) (retired on May 28, 2021)

RISK MANAGEMENT COMMITTEE

Mr. Zhu Qiang (朱強) *(Chairman)*
 Mr. Liu Feng (劉峰)
 Mr. Tan Guozheng (譚國政)

COMPANY SECRETARY

Ms. Yau Ting Nga (尤定雅)

AUTHORISED REPRESENTATIVES

Mr. Liu Feng (劉峰)
 Ms. Yau Ting Nga (尤定雅)

LISTING INFORMATION AND STOCK CODE

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 Stock Code: 3358

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PricewaterhouseCoopers

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FINANCIAL HIGHLIGHTS

	For the six months ended June 30,			
	2021 US\$ (Unaudited)	2020 US\$ (Unaudited)	Change (US\$)	Change (%)
Revenue from contracts with customers	956,140,069	572,356,066	383,784,003	67.1
Gross profit	210,286,810	158,596,446	51,690,364	32.6
Gross profit margin	22.0%	27.7%	N/A	(5.7) ⁽¹⁾
EBITDA ⁽²⁾	67,149,629	66,331,614	818,015	1.2
Net profit	35,448,012	35,750,291	(302,279)	(0.8)
Net profit margin	3.7%	6.2%	N/A	(2.5) ⁽¹⁾
Net cash inflow from operating activities	34,106,406	167,885,097	(133,778,691)	(79.7)
Earnings per share				
– Basic	0.0293	0.0311	(0.0018)	(5.8)
– Diluted	0.0293	0.0311	(0.0018)	(5.8)

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

Note 2: EBITDA is defined as profit/(loss) before finance costs and tax having added back: i) depreciation for property, plant and equipment and right-of-use assets charged to profit or loss; and ii) amortization.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

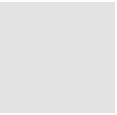
Business Review

For the six months ended June 30, 2021, the Group's revenue was approximately US\$956.1 million, representing an increase of 67.1% over the corresponding period in 2020 and for the six months ended June 30, 2021, the Group's net profit was US\$35.4 million, representing a period-on-period decrease of 0.8%. The increase in revenue was mainly attributable to the increase in market demand for our four core product groups as a result of the global pandemic being under control, in particular our Above-ground Pools and Portable Spas. The decrease in net profit was mainly due to (i) the decrease in gross profit margin as a result of the faster than expected increase in raw material prices (especially for the PVC resin powder and plasticizer prices), the appreciation of exchange rate for Renminbi ("RMB") against United States Dollar ("US\$") and the flat sales prices of our products as compared to the same period last year; and (ii) the significant increase in export shipping cost due to a significant increase in ocean freight price caused by the COVID-19 pandemic.

Our Products

For the six months ended June 30, 2021, the Group recorded a promising growth for the products of all four major product categories. The revenue of Above-ground Pools and Portable Spas reached US\$606.2 million, representing an increase of 91.2% as compared to the corresponding period in 2020, which was mainly attributable to a solid increase in market demand for such items as a result of the global COVID-19 pandemic which caused the adoption of home office policies by more companies, led to less socializing events and gatherings and increased the time that individuals spent at home. The revenue of Recreation Products, Sporting Products and Camping Products was US\$128.9 million, US\$104.4 million and US\$116.6 million, respectively, representing an increase of 22.5%, 69.4% and 32.0%, respectively, as compared to the corresponding period in 2020. The increase in revenue of Recreation Products, Sporting Products and Camping Products was mainly due to the global pandemic being under control in the first half of the year, which has increased the frequencies of the general public participating in outdoor activities and led to a recovery growth in the demand of these outdoor products. For the six months ended June 30, 2021, the Group further strengthened its branding strategy with enhanced promotion of intelligent control Above-ground Pools and Portable Spas for domestic use. Having devoted great effort to improving and upgrading the product user experience, we believe we have set a new industry benchmark for Above-ground Pools and Portable Spas. Meanwhile, we have launched different product classes for indoor inflatable products for domestic use and they were well-received by the market.

In view of the ongoing outbreak of COVID-19 pandemic, we have focused on promoting domestic Above-ground Pools and Portable Spas, which can be used either indoor or in the backyard, and middle-to-high-end Indoor Air Mattress. COVID-19 pandemic has increased the demand for these products, leading to the natural growth in sales. Further, by diversifying our product types, we can enrich our product categories to further increase our market shares and avoid the competition among similar products. We have also put a greater focus on promoting our brand and products through social media channels.



MANAGEMENT DISCUSSION AND ANALYSIS

Our Geographic Regions

Europe

For the six months ended June 30, 2021, the Group maintained a formidable number one position in terms of market share in Europe, with a revenue of US\$579.5 million, representing a promising period-on-period growth of 64.3%. The European market is an important region that contributes to the largest portion of the Group's revenue and is crucial to the Group's stable operation. For the six months ended June 30, 2021, the Group achieved satisfactory performance in terms of revenue in the European market in countries including the United Kingdom, France and Germany. In respect of performance of product categories in terms of revenue, Above-ground Pools and Portable Spas had an outstanding performance in Europe. The Group continues to expand the product pipelines for Above-ground Pools and Portable Spas and devotes greater resources to advertise our brand on social media so as to enlarge our market scale.

North America

The Group's sales performance experienced a stable growth in the North American market, recording a revenue of US\$290.7 million for the six months ended June 30, 2021. While the revenue recorded a period-on-period increase of 73.9% in the North American market, the Group has continued to expand sales channels, improve brand image and carry out further marketing activities for Above-ground Pools and Portable Spas.

Asia Pacific

For the six months ended June 30, 2021, the Group experienced an increase of 38.5% over the corresponding period in 2020 in the Asia Pacific market with a revenue of US\$37.5 million, including a period-on-period increase of 20.1% in revenue generated from the Mainland China market. Moreover, the success of our promotion on online sales channels is also attributable to the surging popularity of E-commerce platforms in Mainland China.

Rest of the World

The revenue of the Group for the rest of the world for the six months ended June 30, 2021 amounted to US\$48.4 million, representing a major period-on-period increase of 91.5%. The increase is mainly attributable to the Group's thorough and comprehensive development of its sales channels and market promotion throughout the years and the considerable increase in demand for products to be used at home under the global pandemic which drove the considerable growth of revenue generated in certain regions. We will continue to enhance our marketing and business strategy in markets with huge growth potential such as the Middle East, to further improve and establish a comprehensive local sales network.

Exposure to Foreign Exchange Risk

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 Innovations

The Group placed great importance to its product R&D. The R&D-related expenses for the six months ended June 30, 2021 amounted to US\$14.2 million, representing around 29.8% of the Group's total general and administrative expenses. The R&D-related expenses for the six months ended June 30, 2021 is approximately 49.8% higher than US\$9.5 million of the same period last year. It is a usual practice for the Group to enhance and phase out over 25% of its product types in a new quarter, with a view to offering more innovative, appealing and practical outdoor leisure products to consumers and to phasing out some of the products purely for outdoor leisure group-use purpose with relatively poor sales performance.

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 are located in (i) Yancheng, Jiangsu; (ii) Haian, Jiangsu; (iii) Rugao, Jiangsu; (iv) Shanghai; and (v) Tien Giang Province, Vietnam. The capital expenditure of the Group for the six months ended June 30, 2021 was US\$64.4 million, which was mainly used for plant construction and investment on equipment.

At present, all manufacturing sites in aggregate 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. In addition, 185,525 square meters of factories and warehouses are under construction currently.

MANAGEMENT DISCUSSION AND ANALYSIS

Phase 1 of the Group's manufacturing site in Vietnam, located in Long Jiang Industrial Park near Ho Chi Minh City, has officially commenced operation since January 2020. Phase 1 of the manufacturing site covers 51,240 square meters of land with 35,000 square meters of factory. 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 for the Group to fully meet the rapidly growing sales orders.

OUTLOOK

The Group is a global leading branded company for inflatable outdoor leisure products and has up to 35% global market share.

With the COVID-19 pandemic persisting globally and the continuous conflicts caused by the US-China trade disputes, the global economy remains unstable. For the six months ended June 30, 2021, our total sales revenue was US\$956.1 million, representing a period-on-period 67.1% increase.

Our Group's 2022 sales year (i.e. from May 1, 2021 to April 30, 2022) commenced in May 2021. In the 2022 sales year, in light of the continuation of the global COVID-19 pandemic, the Group will continue to be affected by certain unfavorable factors including supply chain fluctuations (e.g. increased prices of raw materials), inadequate ocean freight services supply, uncertain end-customers' sales and exchange rate fluctuations. Further, due to the COVID-19 pandemic, the Group's manufacturing site in Vietnam was temporarily closed since early August 2021.

In terms of cost, we endeavour to further refine our raw material supplier structure, as well as effectively control the requisite purchase costs for such materials. We will be adopting economies of scale to strengthen the optimization of our administrative expenses.

In terms of foreign exchange, we have been strictly monitoring potential foreign currency hedging policies and tools internally, and will continue to thoroughly enforce such measures in the future.

In 2021, we will continue to emphasize on the research and development of self-developed raw materials and innovative products. In terms of raw materials, we will continue to upgrade novel materials required for our Air Mattress, such as DURAPLUS three-layer liner and TOUGH GUARD fabrics laminating materials.

We have further expanded the coverage of our exclusive patent for our rust preventive products which are specifically catered for the stainless steel frames of our Above-ground Pools. In terms of product invention, we will continue to supplement and enhance over 20% of new product suppliers annually. In particular, new releases of LED SPA, an outdoor large-scale inflatable play center to be used in patios, attracts the most attention. It is predicted that our smartphone app-controlled inflatable indoor mattresses will bring about an alternative form of furniture usage, which can drive and meet considerable consumer demands.

FINANCIAL REVIEW

Results of Operations

	For the six months ended		
	June 30,		
	2021	2020	Change
	US\$	US\$	(%)
	(Unaudited)	(Unaudited)	
Operating results			
Revenue from contracts with customers	956,140,069	572,356,066	67.1
Cost of sales	(745,853,259)	(413,759,620)	80.3
Gross profit	210,286,810	158,596,446	32.6
Net profit	35,448,012	35,750,291	(0.8)

	For the six months ended		
	June 30,		
	2021	2020	Change
	(Unaudited)	(Unaudited)	(%)
Key Ratios (%)			
Gross profit margin	22.0%	27.7%	(5.7) ⁽¹⁾
Net profit margin	3.7%	6.2%	(2.5) ⁽¹⁾

Note:

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

Revenue from contracts with customers

The revenue of the Group increased by 67.1% from US\$572.4 million for the six months ended June 30, 2020 to US\$956.1 million for the six months ended June 30, 2021. The increase in revenue was mainly attributable to the continuous increase in market demand for our four core product groups, in particular our Above-ground Pools and Portable Spas, as a result of the global pandemic being under control.

MANAGEMENT DISCUSSION AND ANALYSIS

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 our revenue, cost of sales and the changes by the core product groups for the periods indicated:

Product Group	For the six months ended June 30,				Change (%)
	2021		2020		
	US\$ (Unaudited)	%	US\$ (Unaudited)	%	
Above-ground Pools and Portable Spas	606,223,898	63.4	317,090,786	55.4	91.2
Recreation Products	128,919,854	13.5	105,266,568	18.4	22.5
Camping Products	116,633,540	12.2	88,383,567	15.4	32.0
Sporting Products	104,362,777	10.9	61,615,145	10.8	69.4
Total	956,140,069	100.0	572,356,066	100.0	67.1

The sales mix of our four core product groups has recorded a steady growth for the six months ended June 30, 2020 and 2021. The sales of our Above-ground Pools and Portable Spas amounted to US\$606.2 million, representing a 91.2% growth for the six months ended June 30, 2021, mainly attributable to a steady increase in market demand for such items as a result of the global COVID-19 pandemic which caused the adoption of home office policies by more companies, led to less socializing events and gatherings and increased the time individuals spent at home. The revenue of Recreation Products, Sporting Products and Camping Products was US\$128.9 million, US\$104.4 million and US\$116.6 million, respectively, representing an increase of 22.5%, 69.4% and 32.0%, respectively, as compared to the corresponding period in 2020. The significant increase in revenue for Recreation Products, Sporting Products and Camping Products was due to the global pandemic being under control in the first half of the year, which has increased the frequencies of the general public participating in outdoor activities, thereby leading to a recovery growth in the demand of these outdoor products.

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

Geographic Region	For the six months ended June 30,				Change (%)
	2021		2020		
	US\$ (Unaudited)	%	US\$ (Unaudited)	%	
Europe ⁽¹⁾	579,459,114	60.6	352,782,861	61.6	64.3
North America ⁽²⁾	290,732,024	30.4	167,183,540	29.3	73.9
Asia Pacific ⁽³⁾	37,544,238	3.9	27,114,385	4.7	38.5
Including: Mainland China	17,719,500	1.9	14,754,200	2.6	20.1
Rest of the world ⁽⁴⁾	48,404,693	5.1	25,275,280	4.4	91.5
Total	956,140,069	100.0	572,356,066	100.0	67.1

Note:

- (1) Europe refers to countries in the European Economic Area (including France and Germany), the United Kingdom, Russia, Georgia, Switzerland, Turkey, Kazakhstan, Kyrgyzstan, Albania, Andorra, Bosnia and Herzegovina, Macedonia, Moldova, 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 the Middle East, Africa and Latin America.

For the six months ended June 30, 2021, the Group maintained a formidable number one position in terms of market share in Europe, with a revenue of US\$579.5 million, representing a stable period-on-period growth of 64.3%. The European market is an important region that contributes to the largest portion of the Group's revenue and is crucial to the Group's stable operation. In the North American market, the Company has recorded a revenue of US\$290.7 million recorded for the six months ended June 30, 2021, representing a period-on-period increase of 73.9%. The Group has also experienced a growth in revenue generated in the Asia Pacific market which amounted to US\$37.5 million, representing a period-on-period increase of 38.5% due to the increased outdoor activities as a result of the global pandemic being under control in the first half of the year.

For the sales in the rest of the world, which represents 5.1% of the total sales, we recorded a period-on-period increase of 91.5%. The growth was mainly due to the Group's thorough and comprehensive development of its sales channels and market promotion throughout the years and the increase in demand for products to be used at home under the global pandemic drove the growth of revenue generated from certain regions.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

The following table sets forth the revenue for our four core product groups and as a percentage of total revenue for the years indicated:

	For the six months ended June 30,				Change (%)	
	2021	2020	2021	2020	Revenue	Cost of Sales
	Revenue		Cost of Sales			
	US\$	US\$	US\$	US\$		
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		
Above-ground Pools and Portable Spas	606,223,898	317,090,786	446,745,102	226,342,416	91.2	97.4
Recreation Products	128,919,854	105,266,568	112,605,160	75,569,541	22.5	49.0
Camping Products	116,633,540	88,383,567	105,076,055	70,370,167	32.0	49.3
Sporting Products	104,362,777	61,615,145	81,426,942	41,477,496	69.4	96.3
Total	956,140,069	572,356,066	745,853,259	413,759,620	67.1	80.3

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 80.3% from US\$413.8 million for the six months ended June 30, 2020 to US\$745.9 million for the six months ended June 30, 2021 due to an increase in the amount of products sold. Our cost of sales was 72.3% and 78.0% as a percentage of revenue for the six months ended June 30, 2020 and 2021, respectively, the increase is mainly due to (i) the faster than expected increase in raw material prices (especially for the PVC resin powder and plasticizer prices) and the appreciation of exchange rate for RMB against US\$; and (ii) the flat sales prices of our products as compared to the same period last year.

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 32.6% from US\$158.6 million for the six months ended June 30, 2020 to US\$210.3 million for the same period in 2021. Our gross profit margin decreased from 27.7% for the six months ended June 30, 2020 to 22.0% for the same period in 2021. For the six months ended June 30, 2020, the gross profit margin reflected the products sold during 2020 sales season ("**2020 Products**") while the gross profit margin for the six months ended June 30, 2021 reflected products sold during 2021 sales season ("**2021 Products**"). As compared to the 2020 Products, the 5.7% decrease in our gross profit margin of 2021 Products was due to (i) the faster than expected increase in raw material prices (especially for the PVC resin powder and plasticizer prices) and the appreciation of exchange rate for RMB against US\$; and (ii) the flat sales prices of our products as compared to the same period last year.

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 six months ended June 30, 2020 and 2021, our selling and distribution expenses were US\$68.1 million and US\$132.7 million, respectively, representing 11.9% and 13.9% of our revenue.

The reason for the increase in sales expenses as a percentage of revenue is due to a large increase in shipping expenses as a result of the significantly raised ocean freight price caused by the COVID-19 pandemic.

General and Administrative Expenses

Our 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 six months ended June 30, 2020 and 2021, our administrative expenses were US\$34.6 million and US\$47.7 million. Our administrative expenses amounted to 6.0% and 5.0% of the revenue for the six months ended June 30, 2020 and 2021, respectively. While our R&D expenses continue to grow rapidly, we controlled other administrative expenses through increasing operational efficiency which results in a decrease in the percentage of administrative expenses to the Group's revenue.

Other Income – Other Expenses

Our other income net other expenses were US\$4.6 million for the six months ended June 30, 2020 and US\$4.5 million for the six months ended June 30, 2021, respectively. Our other income net other expenses remained relatively stable.

Other gains /(losses) – Net

For the six months ended June 30, 2021, US\$11.7 million was recorded as other gains of the Group, representing a period-on-period increase of 587.9%. The other gains of US\$11.7 million recorded for the six months ended June 30, 2021 were mainly generated from the completion of the foreign exchange forward contracts.

Net impairment loss reversals/(losses) on financial assets

Our net impairment gains/(losses) on financial assets increased by 171.7% from US\$5.7 million loss for the six months ended June 30, 2020 to US\$4.1 million gains for the six months ended June 30, 2021 as accounts receivables with longer overdue time have been recovered, and the asset impairment loss for this portion of accounts receivables has been reversed.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Profit

Our operating profit decreased by 4.3% from US\$52.4 million for the six months ended June 30, 2020 to US\$50.1 million for the six months ended June 30, 2021. The record of 4.3% decrease in operating profit while there was a 32.6% increase in gross profit, was due to a large increase in shipping expenses as a result of the significantly raised ocean freight price caused by the COVID-19 pandemic.

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 six months ended June 30, 2020 and 2021, the net amount of finance expenses was US\$6.4 million and US\$5.2 million, representing 1.1% and 0.5% of total revenue, respectively and a period-on-period decrease of 0.6 percentage point. The expense ratio decreased mainly due to a decline in borrowing interest rates and the stable growth in sales revenue.

Income Tax Expenses

Our income tax expenses decreased by 7.0% from US\$10.2 million for the six months ended June 30, 2020 to US\$9.5 million for the six months ended June 30, 2021 following a decrease in the Group's profit.

Our effective income tax rate decreased from 22.2% for the six months ended June 30, 2020 to 21.2% for the six months ended June 30, 2021 which has remained stable.

Profit for the Period

Our net profit slightly decreased by 0.8% from US\$35.8 million for the six months ended June 30, 2020 to US\$35.4 million for the six months ended June 30, 2021. The decrease was a result of the accumulative effects of the factors discussed above in this section headed "Operating Profit and Operating Profit Margin".

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our primary uses of cash for the six months ended June 30, 2021 were to meet working capital demand for our day-to-day operations and to pay capital expenditures for expansion of production facilities. We financed our working capital requirements through a combination of funds generated from our operating activities and bank borrowings.

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 and Capital Commitment

Capital expenditure for the six months ended June 30, 2021 mainly comprises expenditure on property, plant and equipment expenses incurred in the construction of production facilities in Nantong and Vietnam. For the six months ended June 30, 2021, we funded our capital expenditures primarily with cash generated from operation.

The table below shows a breakdown of the capital expenditure for the respective period under review:

	Six months ended June 30,	
	2021	2020
	US\$	US\$
	(Unaudited)	(Unaudited)
Purchase of property, plant and equipment	57,022,144	18,620,876
Purchase of right-of-use assets	7,283,080	–
Purchase of intangible assets	54,519	47,107
Total capital expenditures	64,359,743	18,667,983

Contract Liabilities

Our contract liabilities increased by 15.0% from US\$47.4 million to US\$54.5 million as of June 30, 2021 compared to December 31, 2020, mainly attributable to an increase in sales revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Cash Flow

	For the six months ended		
	June 30,		Change (%)
	2021	2020	
	US\$ (Unaudited)	US\$ (Unaudited)	
Cash flow			
Net cash generated from operating activities	34,106,406	167,885,097	(79.7)
Net cash used in investing activities	(41,986,606)	(23,704,872)	77.1
Net cash generated from financing activities	61,448,220	12,531,814	390.3
Net increase in cash and cash equivalents	53,568,020	156,712,039	(65.8)

	As of		Change (%)
	June 30,	December 31,	
	2021	2020	
	US\$ (Unaudited)	US\$ (Audited)	
Current Assets and Current Liabilities			
Current Assets	1,044,325,120	761,729,059	37.1
Current Liabilities	(898,566,281)	(576,204,035)	55.9
Net Current Assets	145,758,839	185,525,024	(21.4)

As of June 30, 2021, the gearing ratio of the Group has further improved as compared to the gearing ratio as of December 31, 2020 (gearing ratio equals total net debt divided by total equity). Net current assets decreased by 21.4% from US\$185.5 million as of December 31, 2020 to US\$145.8 million as of June 30, 2021. The decrease in net current assets was primarily due to an increase in short-term borrowings.

The Group's net cash inflow from operating activities was US\$34.1 million, consisting of US\$44.2 million in net cash generated from operations, income tax paid of US\$5.2 million and interest paid of US\$5.0 million. The decrease in net cash inflow generated from operating activities was mainly attributable to an increase in the need for working capital as a result of a continuous growth in sales revenue.

The Group recorded a decrease in net increase in cash and cash equivalent from US\$156.7 million to US\$53.6 million as the net cash generated from operating activities recorded a year-on-year decrease.

Borrowings

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

	As of	
	June 30,	December 31,
	2021	2020
	US\$	US\$
	(Unaudited)	(Audited)
Non-current		
Bank borrowings		
Secured	79,762,624	95,248,394
Unsecured	-	-
Less: current portion of long-term borrowings	(33,193,975)	(30,651,811)
	46,568,649	64,596,583
Current		
Bank borrowings		
Secured	211,344,120	130,086,961
Unsecured	9,432	61,241
Add: current portion of long-term borrowings	33,193,975	30,651,811
	244,547,527	160,800,013
Total borrowings	291,116,176	225,396,596

Our bank borrowings were primarily denominated in U.S. dollars, Renminbi and Euro, and a majority of them were short-term borrowings that we entered into to finance our working capital. As of June 30, 2021 and December 31, 2020, the weighted average effective interest rate of our borrowings was 3.51% and 4.20% per annum, respectively. Our bank borrowings amounted to US\$291.1 million and US\$225.4 million as of June 30, 2021 and December 31, 2020, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	As of		
	June 30, 2021 US\$ (Unaudited)	December 31, 2020 US\$ (Audited)	Change US\$
Within one year	244,547,527	160,800,013	83,747,514
Over one year	46,568,649	64,596,583	(18,027,934)
Total	291,116,176	225,396,596	65,719,580

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	
	June 30, 2021 US\$ (Unaudited)	December 31, 2020 US\$ (Audited)
Raw materials	62,192,517	32,417,240
Work-in-progress	110,288,474	81,931,396
Finished goods	186,855,427	187,745,274
Total	359,336,418	302,093,910

Our inventories increased from US\$302.1 million to US\$359.3 million as of June 30, 2021, compared to December 31, 2020, representing a period-on-period increase of 18.9%. The increase was primarily due to an increase in raw materials and works-in-progress as a result of the expansion of our production scale.

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

	For the six months ended June 30, 2021	For the year ended December 31, 2020
Inventory turnover days ⁽¹⁾	81	152

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, and the inventory turnover days for a six-month period equals to the average of the beginning and ending inventory for that period divided by the cost of sales for that period and multiplied by 183 days.

Our inventory turnover days decreased from 152 days for the year ended December 31, 2020 to 81 days for the six months ended June 30, 2021. The decrease in inventory turnover days is primarily due to operational improvements.

Trade Receivables

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

	As of June 30, 2021 US\$ (Unaudited)	December 31, 2020 US\$ (Audited)
Trade receivables	303,271,338	146,615,752
Less: allowance for impairment of trade receivables	(5,354,168)	(7,577,341)
Total receivables - net	297,917,170	139,038,411

Our trade receivables increased by 114.3% from US\$139.0 million as of December 31, 2020 to US\$297.9 million as of June 30, 2021. The trade receivables increased significantly mainly due to a steady growth in sales revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	For the six months ended June 30, 2021	For the year ended December 31, 2020
Trade receivables turnover days ⁽¹⁾	43	63

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, and the trade receivables turnover days for a six-month period equals to the average of the beginning and ending balances of trade receivables for that period divided by revenue for that period and multiplied by 183 days.

Our trade receivables turnover days decreased from 63 days for the year ended December 31, 2020 to 43 days for the six months ended June 30, 2021 because of the promising effectiveness of our measures to continuously improve the credit period of our accounts receivables.

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 53.6% to US\$407.0 million as of June 30, 2021. The increase of the trade payables was mainly because of a rapid increase in the purchase amount of raw materials as a result of the expansion of our production scale.

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

	For the six months ended June 30, 2021	For the year ended December 31, 2020
Trade payables turnover days ⁽¹⁾	82	106

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 and the trade payables turnover days for a six-month period equals to the average of the beginning and the ending trade payables for that period divided by cost of sales for that period and multiplied by 183 days.

Our trade payables turnover days decreased from 106 days for the year ended December 31, 2020 to 82 days for the six months ended June 30, 2021 due to an increase in the proportion of our purchases from suppliers with shorter credit periods for trade payables in the first half of the year.

Other Payables and Accruals

Our other payables and accruals increased by 95.1% from US\$82.0 million as of December 31, 2020 to US\$160.0 million as of June 30, 2021, mainly attributable to (i) an increase in commissions payable due to the increased sales revenue; and (ii) increase in payables regarding employees remuneration, construction projects and equipment as a result of the increased production scale.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to June 30, 2021 which would materially affect the Group's operating and financial performance as at the date of this report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The shares of the Company (the “**Shares**”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on November 16, 2017 (the “**Listing**”). The net proceeds from the Listing were US\$142.0 million after deducting underwriting commissions and all related expenses. The intended use of the net proceeds are disclosed in the section “Future Plans and Use of Proceeds” in the prospectus of the Company dated November 6, 2017 (the “**Prospectus**”). According to the 2019 annual report published by the Company on April 16, 2020, the Company has used all the proceeds raised from the Listing as at December 31, 2019 in accordance with its development strategies, market conditions and intended use of such proceeds. The net proceeds were used for the same purposes as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

EXPOSURE TO FOREIGN EXCHANGE RISK

As sales of the Group are mostly quoted and settled in US dollars, the part of the sales proceeds received which are converted to Renminbi is exposed to foreign exchange rate risk. For further details in respect of our foreign exchange rate risk exposure and the internal control measures that we have taken to reduce foreign exchange rate risk, please refer to the section headed “Exposure to Foreign Exchange Risk” under “Management Discussion and Analysis” on page 9 of this interim report.

PLEDGE OF ASSETS

Save as disclosed under Note 19 to the interim condensed consolidated financial statements on page 60 to 62 of this interim report, no assets of the Group were pledged as security for bank borrowing as at June 30, 2021.

SIGNIFICANT INVESTMENTS

The Group did not make any significant investments during the six months ended June 30, 2021 (the “**Reporting Period**”).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As of June 30, 2021, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions or disposal of subsidiaries or associated companies during the Reporting Period.

CONTINGENT LIABILITIES AND GUARANTEES

As at June 30, 2021, the Group did not have any material contingent liabilities or guarantees.

INTERIM DIVIDEND

The board of Directors (the “**Board**”) did not recommend payment of interim dividend for the six months ended June 30, 2021.

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

As at June 30, 2021, the interests of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), (ii) which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or (iii) which were notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

1. Interest in Shares or Underlying Shares of the Company

Name of Director	Nature of interest	Number of shares or underlying shares	Approximate percentage of shareholding interest ⁽¹⁾
Mr. Zhu Qiang	Interest in controlled corporation ⁽²⁾	574,706,132	54.30%
	Beneficial owner	7,648,500	0.72%

Notes:

- (1) As at June 30, 2021, the total number of issued shares of the Company was 1,058,391,000.
- (2) These Shares were beneficially owned by Great Success Enterprises Holdings Limited (榮成實業控股有限公司) ("Great Success"), which is in turn wholly owned by Great Access Industry Inc. (榮達實業有限公司) ("Great Access"). Great Access is owned as to 92.0% by Mr. Zhu Qiang and 8.0% by his son, Mr. Zhu Jiachen. Accordingly, Mr. Zhu Qiang is deemed to be interested in all the Shares which are beneficially owned by Great Success for the purpose of Part XV of the SFO.

2. Interest in Shares of Associated Corporations of the Company

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

Notes:

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as of June 30, 2021, so far as is known to the Directors, none of the Directors and the chief executives of the Company had or were deemed to have any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified under Divisions 7 and 8 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at June 30, 2021, the following persons (other than the Directors and chief executives of the Company) had interests in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Nature of interest	Number of shares or underlying shares	Approximate percentage of interest in the Company ⁽¹⁾
Great Success	Beneficial owner	574,706,132	54.30%
Great Access ⁽²⁾	Interest in controlled corporation	574,706,132	54.30%
MSNKS Investments II, LLC	Beneficial owner	152,942,740	14.45%
Mr. Bogdan Nowak ⁽³⁾	Interest in controlled corporation	152,942,740	14.45%
	Beneficial owner	12,000,000	1.13%
Outland Enterprise Company Limited	Beneficial owner	64,297,233	6.07%
CMB International Finance Limited	Person having a security interest in shares	576,843,632	54.50%
China Merchants Bank Co., Ltd. ⁽⁴⁾	Interest in controlled corporation	576,843,632	54.50%

Notes:

- (1) As at June 30, 2021, the total number of issued shares of the Company was 1,058,391,000.
- (2) Great Access owns the entire issued share capital of Great Success and accordingly is deemed to be interested in all the Shares held by Great Success for the purpose of Part XV of the SFO.
- (3) Mr. Bogdan Nowak owns the entire issued share capital of MSNKS Investments II, LLC and accordingly is deemed to be interested in all the Shares held by MSNKS Investments II, LLC for the purpose of Part XV of the SFO.
- (4) China Merchants Bank Co., Ltd. controls CMB International Finance Limited as to 100% and accordingly is deemed to be interested in all the Shares held by CMB International Finance Limited for the purpose of Part XV of the SFO.

SHARE OPTION SCHEME AND SHARE-BASED PAYMENTS SCHEME

Save as disclosed below and Note 18 to the condensed consolidated interim financial statements, the Company does not have other share option schemes.

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

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

- (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets on the date of offer;
- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange’s daily quotation sheets for the 5 business days immediately preceding the date of offer; and
- (iii) the nominal value of the Shares.

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

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

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

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

- (i) would represent in aggregate more than 0.1% of the Shares then in issue; and
- (ii) would have an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000 (or such other amount as shall be permissible under the Listing Rules from time to time).

Details of options granted are set out in Note 18 to the condensed consolidated interim financial statements.

CORPORATE GOVERNANCE AND OTHER INFORMATION

During the Reporting Period, the movements of the options which have been granted under the Share Option Scheme were as follows:

Category	Date of Grant	Exercise price per Share (HK\$)	Exercise Period ⁽²⁾	Number of share options			Balance as at June 30, 2021	
				Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period		
Directors								
Liu Feng	March 20, 2018	4.346 ⁽¹⁾	March 20, 2019 – March 20, 2023	400,000	–	–	400,000	0
Tan Guozheng	March 20, 2018	4.346 ⁽¹⁾	March 20, 2019 – March 20, 2023	600,000	–	–	600,000	0
Duan Kaifeng	March 20, 2018	4.346 ⁽¹⁾	March 20, 2019 – March 20, 2023	500,000	–	–	500,000	0
Total for Directors				1,500,000	–	–	1,500,000	0
Employees								
Employees of the Group	March 20, 2018	4.346 ⁽¹⁾	March 20, 2019 – March 20, 2023	7,840,000	–	–	7,840,000	0
Total for Employees of the Group				7,840,000	–	–	7,840,000	0
Total for all categories				9,340,000	–	–	9,340,000	0

Notes:

- (1) The closing price of the shares of the Company immediately before the date on which the options were granted was HK\$4.43. The fair value of the share options granted is set out in Note 18 to the condensed consolidated interim financial statements.
- (2) Subject to the terms and conditions of the Share Option Scheme, 25% of these share options will be vested on the date falling on the first, second, third and fourth anniversary of the respective date of grant, respectively.
- (3) The closing price of the shares of the Company immediately before the date on which the options were granted was HK\$3.47. The fair value of the share options granted is set out in Note 18 to the condensed consolidated interim financial statements.

Save as disclosed above, no other options under the Share Option Scheme were outstanding at the beginning or at the end of the six months ended June 30, 2021 and no other options were granted, exercised, cancelled or lapsed at any time during the year.

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

There is no change in the Directors' biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the six months ended June 30, 2021.

EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2021, the Group had 14,550 (as at June 30, 2020: 11,491) full-time employees. We provide wages, employee-related insurance and employee benefits to our employees. Remuneration packages for our employees mainly consist of base salary, welfare and bonus. For the six months ended June 30, 2021, the Group incurred total employee benefits expenses (including Directors' remuneration) of US\$124.8 million (for the six months ended June 30, 2020: US\$60.9 million). The Group provides continuing education and training programs to its employees to improve their skills. The Group also adopts evaluation programs through which its employees can receive feedback on their performance.

NON-COMPLIANCE WITH RULES 3.10(1), 3.21 AND 3.25 OF THE LISTING RULES

Following the retirement of Mr. Yao Zhixian on May 28, 2021 (the "**Retirement**"), the Company has two independent non-executive Directors, resulting in the number of independent non-executive Directors falling below the minimum number required under Rule 3.10(1) of the Listing Rules.

Further, Rule 3.21 of the Listing Rules stipulates that the audit committee must comprise a minimum of three members. Rule 3.25 of the Listing Rules requires a remuneration committee be chaired by an independent non-executive director and comprising a majority of independent non-executive directors. Following the Retirement, the number of audit committee members fell below the minimum number required under Rule 3.21 of the Listing Rules, and the absence of a chairman for the remuneration committee of the Board does not meet the requirement under Rule 3.25 of the Listing Rules. Please refer to the announcement published by the Company on May 28, 2021 for further details of the aforementioned non-compliance.

As disclosed in the Company's announcement on June 22, 2021, Mr. Zhang Zhu has been appointed as an independent non-executive Director of the Company, chairman of the remuneration committee, member of the audit committee and member of the nomination committee of the Company, with effect from June 22, 2021. Upon the appointment of Mr. Zhang Zhu, the Company has fulfilled the requirements under Rules 3.10(1), 3.21 and 3.25 of the Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

The Board is of the view that the Company has complied with all the code provisions as set out in the CG Code during the Reporting Period, save for code provision A.2.1 and A.5.1 of the CG Code.

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

Following the Retirement, the Company's nomination committee did not comprise a majority of independent non-executive directors and could not meet the requirement under code provision A.5.1 of the Code. As disclosed in the Company's announcement on June 22, 2021, Mr. Zhang Zhu has been appointed as, among others, member of the nomination committee of the Company, with effect from June 22, 2021. Upon the appointment of Mr. Zhang Zhu, the Company has fulfilled the requirement under code provision A.5.1 of the Code.

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

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code 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 likely possess inside information of the Company.

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

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, Mr. Lam Yiu Kin (Chairman), Mr. Dai Guoqiang and Mr. Zhang Zhu. The Group's interim financial statements for the six months ended June 30, 2021 have been reviewed by the Audit Committee together with the Board.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

FINANCIAL INFORMATION

The Group's interim results for the six months ended June 30, 2021 have not been audited but have been reviewed by the Audit Committee together with the Board of the Company.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

Facility Agreement dated April 1, 2019

On April 1, 2019, Bestway (Hong Kong) International Limited, an indirect wholly-owned subsidiary of the Company as borrower (the "**Borrower**"), entered into a facility agreement with, among others, certain financial institutions as lenders (the "**Lenders**") (the "**Facility Agreement**"), pursuant to which the Lenders agreed to make a loan to the Borrower in an amount of US\$88,888,000 (with an option to increase the amount by US\$50,000,000) for a term of three years.

Pursuant to the Facility Agreement, it will be an event of default under the Facility Agreement if our controlling shareholder, Mr. Zhu Qiang, ceases to (i) beneficially own directly or indirectly equal or more than 50.1 per cent of the issued share capital of, or voting rights in, the Company; or (ii) remain as the single largest shareholder of the Company. The Borrower will need to repay all the amount outstanding under the Facility Agreement upon acceleration after occurrence of an event of default which is continuing and the Lenders shall not be required to make further advances to the Borrower under the Facility Agreement.

For details of the above transaction, please refer to the announcement of the Company dated April 1, 2019. The loan made under the facility agreement has been fully repaid on in March 2021.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2021

	Notes	Six months ended June 30,	
		2021 Unaudited US\$	2020 Unaudited US\$
Revenue from contracts with customers	7	956,140,069	572,356,066
Cost of sales	7	(745,853,259)	(413,759,620)
Gross profit		210,286,810	158,596,446
Selling and distribution expenses		(132,742,567)	(68,089,471)
General and administrative expenses		(47,710,555)	(34,576,057)
Net impairment loss reversals/(losses) on financial assets		4,097,882	(5,716,967)
Other income		11,872,044	6,542,941
Other expenses		(7,328,461)	(1,976,478)
Other gains/(losses) – net		11,650,636	(2,388,003)
Operating profit	8	50,125,789	52,392,411
Finance expenses		(5,167,886)	(6,415,600)
Profit before income tax		44,957,903	45,976,811
Income tax expense	9	(9,509,891)	(10,226,520)
Profit for the period		35,448,012	35,750,291
Profit attributable to:			
Shareholders of the Company		31,009,272	32,927,016
Non-controlling interests		4,438,740	2,823,275
		35,448,012	35,750,291
Earnings per share for profit attributable to shareholders of the Company during the period			
– Basic earnings per share	10	0.0293	0.0311
– Diluted earnings per share	10	0.0293	0.0311

The notes on pages 39 to 66 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2021

	Six months ended June 30,	
	2021	2020
	Unaudited	Unaudited
	US\$	US\$
Profit for the period	35,448,012	35,750,291
Other comprehensive income:		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	4,683,549	(7,346,657)
Other comprehensive income for the period, net of tax	4,683,549	(7,346,657)
Total comprehensive income for the period	40,131,561	28,403,634
Attributable to:		
– Shareholders of the Company	35,144,600	25,591,733
– Non-controlling interests	4,986,961	2,811,901
Total comprehensive income for the period	40,131,561	28,403,634

The notes on pages 39 to 66 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at June 30, 2021

	Note	As at	
		June 30, 2021	December 31, 2020
		Unaudited	Audited
		US\$	US\$
Assets			
Non-current assets			
Property, plant and equipment	12	377,109,678	333,626,072
Right-of-use assets	12	57,484,473	44,988,026
Investment properties	12	8,926,433	9,225,075
Intangible assets	12	2,929,509	3,123,526
Deferred tax assets	13	5,685,320	7,857,241
Financial assets at fair value through other comprehensive income		750,829	649,231
		452,886,242	399,469,171
Current assets			
Inventories		359,336,418	302,093,910
Trade receivables	14	297,917,170	139,038,411
Prepayments and other receivables		44,643,211	43,264,539
Financial assets at fair value through profit or loss	15	1,029,101	1,238,583
Derivative financial instruments	16	15,608,998	21,124,026
Restricted cash		25,878,553	10,903,799
Cash and cash equivalents		299,911,669	244,065,791
		1,044,325,120	761,729,059
Total assets		1,497,211,362	1,161,198,230
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		384,989,512	363,895,743
		526,982,038	505,888,269
Non-controlling interests		10,940,286	5,953,325
Total equity		537,922,324	511,841,594

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at June 30, 2021

	<i>Note</i>	As at June 30, 2021 Unaudited US\$	December 31, 2020 Audited US\$
Liabilities			
Non-current liabilities			
Bank borrowings	19	46,568,649	64,596,583
Lease liabilities		6,424,431	1,716,211
Deferred tax liabilities	13	1,771,886	980,807
Other payables and accruals		1,139,974	926,747
Retirement benefit obligations	20	982,851	834,045
Deferred income on government grants		3,834,966	4,098,208
		60,722,757	73,152,601
Current liabilities			
Trade payables	21	406,981,221	264,944,127
Other payables and accruals		159,993,694	81,992,446
Contract liabilities		54,496,056	47,391,730
Due to related parties	23	4,057,701	3,050,973
Current income tax liabilities		9,822,116	10,372,121
Bank borrowings	19	244,547,527	160,800,013
Lease liabilities		1,972,337	1,396,770
Derivative financial instruments	16	2,513,191	6,255,855
Dividends payable		14,182,438	–
		898,566,281	576,204,035
Total liabilities		959,289,038	649,356,636
Total equity and liabilities		1,497,211,362	1,161,198,230

The notes on pages 39 to 66 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2021

	Note	Equity attributable to shareholders of the Company				Non-	Total equity Unaudited US\$
		Share capital Unaudited US\$	Share premium Unaudited US\$	Other reserves Unaudited US\$	Total Unaudited US\$	controlling interests Unaudited US\$	
Balance at January 1, 2021		1,355,633	140,636,893	363,895,743	505,888,269	5,953,325	511,841,594
Comprehensive income							
Profit for the period		-	-	31,009,272	31,009,272	4,438,740	35,448,012
Other comprehensive income							
- Currency translation difference		-	-	4,135,328	4,135,328	548,221	4,683,549
Total comprehensive income		-	-	35,144,600	35,144,600	4,986,961	40,131,561
Transactions with shareholders							
Employee share option schemes							
- value of employee services	18	-	-	131,607	131,607	-	131,607
Dividends	11	-	-	(14,182,438)	(14,182,438)	-	(14,182,438)
Transactions with shareholders in total		-	-	(14,050,831)	(14,050,831)	-	(14,050,831)
Balance at June 30, 2021		1,355,633	140,636,893	384,989,512	526,982,038	10,940,286	537,922,324

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended June 30, 2021

	Equity attributable to shareholders of the Company						Non-controlling interests	Total equity
	Note	Share capital	Share premium	Other reserves	Total	Unaudited US\$		
		Unaudited US\$	Unaudited US\$	Unaudited US\$	Unaudited US\$			
Balance at January 1, 2020		1,355,633	140,636,893	291,180,977	433,173,503	2,344,618	435,518,121	
Comprehensive income								
Profit for the period		–	–	32,927,016	32,927,016	2,823,275	35,750,291	
Other comprehensive income								
– Currency translation difference		–	–	(7,335,283)	(7,335,283)	(11,374)	(7,346,657)	
Total comprehensive income		–	–	25,591,733	25,591,733	2,811,901	28,403,634	
Transactions with shareholders								
Transactions with non-controlling interests		–	–	(177,124)	(177,124)	182,446	5,322	
Employee share option schemes								
– value of employee services	18	–	–	(648,674)	(648,674)	–	(648,674)	
Dividends	11	–	–	(8,890,484)	(8,890,484)	–	(8,890,484)	
Transactions with shareholders in total		–	–	(9,716,282)	(9,716,282)	182,446	(9,533,836)	
Balance at June 30, 2020		1,355,633	140,636,893	307,056,428	449,048,954	5,338,965	454,387,919	

The notes on pages 39 to 66 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended June 30, 2021

	Six months ended June 30	
	2021	2020
	Unaudited	Unaudited
	US\$	US\$
Cash flows from operating activities		
Cash generated from operations	44,248,093	179,069,418
Interest paid	(4,950,086)	(6,646,120)
Income tax paid	(5,191,601)	(4,538,201)
Net cash generated from operating activities	34,106,406	167,885,097
Cash flows from investing activities		
Purchases of property, plant and equipment	(57,022,144)	(18,620,876)
Proceeds from disposal of property, plant and equipment	6,930,179	357,925
Purchases of right-of-use assets	(7,283,080)	–
Purchase of intangible assets	(54,519)	(47,107)
Purchase of financial assets at fair value through profit or loss	(601,701)	–
Proceeds from financial assets at fair value through profit or loss	792,837	–
Proceeds/(Payments) of derivative financial instruments	15,251,822	(5,394,814)
Net cash used in investing activities	(41,986,606)	(23,704,872)
Cash flows from financing activities		
Proceeds from borrowings	207,138,514	139,164,036
Repayments of borrowings	(144,079,903)	(117,105,130)
Principal elements of lease payments	(1,610,391)	(641,930)
Cash received from transactions with non-controlling interests	–	5,322
Dividends paid to shareholders of the Company	–	(8,890,484)
Net cash generated from financing activities	61,448,220	12,531,814
Net increase in cash and cash equivalents	53,568,020	156,712,039
Cash and cash equivalents at the beginning of period	244,065,791	59,304,050
Exchange gain on cash and cash equivalent	2,277,858	786,619
Cash and cash equivalents at the end of the period	299,911,669	216,802,708

The notes on pages 39 to 66 form an integral part of these condensed consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended June 30, 2021

1 GENERAL INFORMATION

Bestway Global Holding Inc. (the “**Company**”) was incorporated on June 25, 2012 in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is at Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company, an investment holding company, and its subsidiaries (together, the “**Group**”) are principally engaged in the manufacturing and sales of high quality and leisure products in Europe, North America, the 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 condensed consolidated interim financial statements are presented in United States Dollars (“**US\$**”), unless otherwise stated. These condensed consolidated interim financial statements have been approved for issue by the Board of Directors (the “**Board**”) on August 17, 2021.

These condensed consolidated interim financial statements have not been audited.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended June 30, 2021 have been prepared in accordance with HKAS 34, “Interim financial reporting”. The condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”).

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2020, as described in those annual financial statements except for the estimation of income tax.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

3 ACCOUNTING POLICIES *(Continued)*

(a) New and amended standards adopted by the Group

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards:

		Effective for annual periods beginning on or after
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark reform – phase 2	January 1, 2021

(b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on January 1, 2021 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	January 1, 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	January 1, 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
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
Annual Improvements to HKFRS Standards 2018-2020		January 1, 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

4 ESTIMATES

The preparation of these condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2020.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The condensed interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2020.

There have been no changes in any risk management policies since December 31, 2020.

5.2 Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

5 FINANCIAL RISK MANAGEMENT *(Continued)*

5.2 Liquidity risk *(Continued)*

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

	Less than 1 year US\$	Between 1 and 2 years US\$	Between 2 and 5 years US\$	Total US\$
At June 30, 2021 (Unaudited)				
Bank borrowings	244,547,527	46,568,649	–	291,116,176
Interest payables for bank borrowings	3,400,152	4,465,100	–	7,865,252
Lease liabilities	2,340,715	1,785,061	5,582,949	9,708,725
Trade payables	406,981,221	–	–	406,981,221
Other payables	42,870,822	38,287	–	42,909,109
Due to related parties	4,057,701	–	–	4,057,701
	704,198,138	52,857,097	5,582,949	762,638,184
At December 31, 2020 (Audited)				
Bank borrowings	160,800,013	64,596,583	–	225,396,596
Interest payables for bank borrowings	3,773,404	2,902,659	–	6,676,063
Lease liabilities	1,482,506	1,330,835	595,702	3,409,043
Trade payables	264,944,127	–	–	264,944,127
Other payables	31,211,925	8,037	–	31,219,962
Due to related parties	3,050,973	–	–	3,050,973
	465,262,948	68,838,114	595,702	534,696,764

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

5 FINANCIAL RISK MANAGEMENT *(Continued)*

5.3 Fair value estimation

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

5 FINANCIAL RISK MANAGEMENT *(Continued)*

5.3 Fair value estimation *(Continued)*

The following table presents the Group's assets and liabilities that are measured at fair value as at June 30, 2021 and December 31, 2020.

	Level 2 US\$	Level 3 US\$	Total US\$
At June 30, 2021 (Unaudited)			
Financial assets at fair value through other comprehensive income			
– Unlisted equity interests	–	750,829	750,829
Financial assets at fair value through profit or loss (Note 15)			
– Wealth management products	1,029,101	–	1,029,101
Derivative financial instruments (Note 16)			
– Forward foreign exchange contracts	15,608,998	–	15,608,998
Total assets	16,638,099	750,829	17,388,928
Derivative financial instruments (Note 16)			
– Forward foreign exchange contracts	2,336,900	–	2,336,900
– Interest rate swap contracts	176,291	–	176,291
Total liabilities	2,513,191	–	2,513,191
At December 31, 2020 (Audited)			
Financial assets at fair value through other comprehensive income			
– Unlisted equity interests	–	649,231	649,231
Financial assets at fair value through profit or loss (Note 15)			
– Wealth management products	1,238,583	–	1,238,583
Derivative financial instruments (Note 16)			
– Forward foreign exchange contracts	21,124,026	–	21,124,026
Total assets	22,362,609	649,231	23,011,840
Derivative financial instruments (Note 16)			
– Forward foreign exchange contracts	5,976,769	–	5,976,769
– Interest rate swap contracts	279,086	–	279,086
Total liabilities	6,255,855	–	6,255,855

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

5 FINANCIAL RISK MANAGEMENT *(Continued)*

5.3 Fair value estimation *(Continued)*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Valuation techniques used to determine fair value (Level 2)

Specific valuation techniques used to value financial instruments include:

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- The fair value of interest rate swap contracts is the present value of the estimated future cash flows based on observable yield curves.

Fair value measurements using significant unobservable inputs (Level 3)

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

During the six months ended June 30, 2021, there were no transfers among levels of the fair value hierarchy used in measuring the fair value of financial instruments, and also no changes in the classification of financial assets as a result of a change in the purpose or use of those assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

6 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 mostly 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:

	Six months ended June 30	
	2021	2020
	Unaudited US\$	Unaudited US\$
Europe (i)	579,459,114	352,782,861
North America (ii)	290,732,024	167,183,540
Asia Pacific (iii)	37,544,238	27,114,385
Including: Mainland China	17,719,500	14,754,200
Rest of the world (iv)	48,404,693	25,275,280
Total	956,140,069	572,356,066

No individual customer's revenue exceeds 10% of the Group's total revenue for each of the six months ended June 30, 2020 and 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

6 SEGMENT INFORMATION *(Continued)*

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

	As at	
	June 30, 2021	December 31, 2020
	Unaudited	Audited
	US\$	US\$
Europe (i)	13,423,574	7,502,791
North America (ii)	15,689,932	3,446,433
Asia Pacific (iii)	417,103,026	379,715,298
Including: Mainland China	393,619,490	367,337,257
Rest of the world (iv)	233,561	298,177
Total	446,450,093	390,962,699

Notes:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

7 REVENUE FROM CONTRACTS WITH CUSTOMERS AND COST OF SALES

	Six months ended June 30			
	2021		2020	
	Revenue	Cost of sales	Revenue	Cost of sales
	Unaudited	Unaudited	Unaudited	Unaudited
	US\$	US\$	US\$	US\$
Above-ground Pools and Portable Spas	606,223,898	446,745,102	317,090,786	226,342,416
Recreation Products	128,919,854	112,605,160	105,266,568	75,569,541
Camping Products	116,633,540	105,076,055	88,383,567	70,370,167
Sporting Products	104,362,777	81,426,942	61,615,145	41,477,496
	956,140,069	745,853,259	572,356,066	413,759,620

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

8 OPERATING PROFIT

An analysis of the amounts presented as operating items in the condensed consolidated statement of profit or loss is given below.

	Six months ended June 30	
	2021 Unaudited US\$	2020 Unaudited US\$
Change in work in progress and finished goods	(27,934,356)	139,632,823
Raw materials and consumables used	626,701,586	213,635,641
Wages and salaries, social welfare and benefits, including director's emoluments	124,776,395	60,880,068
Transportation expenses	74,599,200	24,652,030
Service fees and commissions	23,126,807	13,952,092
Processing fee	21,826,215	4,821,146
Depreciation and amortisation	17,023,840	14,264,381
Utility fee	13,767,876	7,341,036
Advertising and promotion expenses	6,776,276	6,174,611
Net impairment (loss reversals)/losses on financial assets	(4,097,882)	5,716,967
Write-down of inventories	772,795	1,580,547
Rental and related services income	(2,659,558)	(2,111,921)
Government grants	(2,059,644)	(1,368,464)
Realised (gains)/losses on derivative financial instruments	(15,166,697)	5,394,814
Unrealised fair value changes on derivative financial instruments	1,863,530	204,048
(Gains)/losses on disposal of property, plant and equipment	(1,799,667)	124,745
Net foreign exchange losses/(gains)	1,859,399	(3,105,236)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

9 INCOME TAX EXPENSE

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

	Six months ended June 30	
	2021 Unaudited US\$	2020 Unaudited US\$
Current income tax	6,622,274	10,127,379
Deferred income tax (Note 13)	2,887,617	99,141
Income tax expenses – net	9,509,891	10,226,520

(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 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% for the reporting period.

(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 (“HNTÉ”) 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% for the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

9 INCOME TAX EXPENSE *(Continued)*

(e) Other overseas profits tax

Overseas profits tax has been provided at the rates of taxation prevailing in other countries in which the Group operates, with the range from 9% to 41%, during the reporting period.

The Company's subsidiary, Bestway (Vietnam) Recreation Limited, has preferential tax rate of 10% for 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.

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 each six months ended June 30, 2021 and 2020.

	Six months ended June 30	
	2021 Unaudited	2020 Unaudited
Profit attributable to the shareholders of the Company (US\$)	31,009,272	32,927,016
Weighted average number of ordinary shares in issue	1,058,391,000	1,058,391,000
Basic earnings per share (US\$)	0.0293	0.0311

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

10 EARNINGS PER SHARE *(Continued)*

(b) Diluted

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

	Six months ended June 30	
	2021 Unaudited	2020 Unaudited
Profit attributable to the shareholders of the Company (US\$)	31,009,272	32,927,016
Weighted average number of ordinary shares in issue	1,058,391,000	1,058,391,000
Adjustments for share options	–	–
	1,058,391,000	1,058,391,000
Diluted earnings per share (US\$)	0.0293	0.0311

11 DIVIDENDS

A dividend of US\$14,182,438 for the year ended December 31, 2020, representing US\$0.0134 per fully paid share, was approved by the shareholders at the annual general meeting held on May 28, 2021 and paid in July 2021 (Six months ended June 30 2020: A dividend of US\$8,890,484 for the year ended December 31, 2019, representing US\$0.0084 per fully paid share, was approved by the shareholders at the annual general meeting held on May 20, 2020 and paid in June 2020).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

12 PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

	Property, plant and equipment US\$	Right-of-use assets US\$	Investment properties US\$	Intangible assets US\$
Six months ended June 30, 2021 (Unaudited)				
Opening net book amount as at January 1, 2021	333,626,072	44,988,026	9,225,075	3,123,526
Additions	60,050,677	14,334,488	–	54,519
Disposals	(5,130,512)	(329,519)	–	–
Depreciation charge	(14,533,548)	(1,833,217)	(389,225)	(267,850)
Currency translation differences	3,096,989	324,695	90,583	19,314
Closing net book amount as at June 30, 2021	377,109,678	57,484,473	8,926,433	2,929,509
Six months ended June 30, 2020 (Unaudited)				
Opening net book amount as at January 1, 2020	303,867,108	39,818,377	9,384,023	808,247
Additions	11,442,921	1,407,990	–	47,107
Transfer from construction in progress to intangible assets	(2,411,457)	–	–	2,411,457
Disposals	(482,670)	–	–	–
Depreciation charge	(12,488,221)	(1,021,554)	(384,454)	(370,152)
Currency translation differences	(4,222,880)	(562,099)	(136,927)	(23,346)
Closing net book amount as at June 30, 2020	295,704,801	39,642,714	8,862,642	2,873,313

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

13 DEFERRED INCOME TAX

Deferred income tax assets

	Six months ended June 30	
	2021	2020
	Unaudited US\$	Unaudited US\$
Opening balance at January 1	7,857,241	5,227,224
(Charged)/credited to the condensed consolidated statement of profit or loss	(2,090,356)	84,268
Currency translation differences	(81,565)	(35,458)
Closing balance at June 30	5,685,320	5,276,034

Deferred income tax liabilities

	Six months ended June 30	
	2021	2020
	Unaudited US\$	Unaudited US\$
Opening balance at January 1	980,807	806,372
Charged to the condensed consolidated statement of profit or loss	797,261	183,409
Currency translation differences	(6,182)	(21,448)
Closing balance at June 30	1,771,886	968,333

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

14 TRADE RECEIVABLES

	As at	
	June 30, 2021 Unaudited US\$	December 31, 2020 Audited US\$
Trade receivables	303,271,338	146,615,752
Less: allowance for impairment of trade receivables	(5,354,168)	(7,577,341)
Trade receivables – net	297,917,170	139,038,411

As at June 30, 2021 and December 31, 2020, the aging analysis of the trade receivables based on invoice date is as follows:

	As at	
	June 30, 2021 Unaudited US\$	December 31, 2020 Audited US\$
Up to 3 months	269,206,898	126,060,833
4 to 6 months	33,076,333	12,411,993
7 to 9 months	975,885	6,619,928
10 to 12 months	7,620	1,519,735
Over 1 year	4,602	3,263
	303,271,338	146,615,752

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

14 TRADE RECEIVABLES *(Continued)*

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

	As at	
	June 30, 2021	December 31, 2020
	Unaudited US\$	Audited US\$
US\$	212,048,089	126,642,045
EUR	85,864,033	18,746,335
RMB	2,371,007	1,162,196
Other currencies	2,988,209	65,176
	303,271,338	146,615,752

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	June 30, 2021	December 31, 2020
	Unaudited US\$	Audited US\$
Wealth management products	1,029,101	1,238,583

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

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other gains/(losses) – net' in the condensed consolidated statements of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

16 DERIVATIVE FINANCIAL INSTRUMENTS

	As at			
	June 30, 2021		December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
	Unaudited	Unaudited	Audited	Audited
	US\$	US\$	US\$	US\$
- Forward foreign exchange contracts (a)	15,608,998	2,336,900	21,124,026	5,976,769
- Interest rate swap contracts (b)	-	176,291	-	279,086
	15,608,998	2,513,191	21,124,026	6,255,855

(a) The notional principal amounts of the RMB and EUR forward foreign exchange contracts at June 30, 2021 and 2020 were US\$712,602,246 and US\$340,424,936, respectively.

(b) The Group entered into three interest rate swap contracts with a notional amount of US\$15,000,000, US\$18,750,000 and US\$15,000,000 at an average fixed interest rate of 3.10%, 3.05% and 2.95% per annum as at April 23, 2020, May 6, 2020 and May 11, 2020, respectively. The interest rate swap contracts are due in April, 2022.

17 SHARE CAPITAL AND SHARE PREMIUM

	Number of issued shares	Share capital US\$	Share premium US\$	Total US\$
At January 1, 2021 and June 30, 2021	1,058,391,000	1,355,633	140,636,893	141,992,526
At January 1, 2020 and June 30, 2020	1,058,391,000	1,355,633	140,636,893	141,992,526

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

18 SHARE-BASED PAYMENTS

Employees share option scheme

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

The options granted on December 18, 2017 lapsed automatically on May 1, 2020 due to the termination of the employee's employment.

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

As approved by the Board meeting on April 2, 2019, April 2, 2020 and April 2, 2021, the Group cancelled options of 5,110,000, 4,620,000 and 9,340,000 granted to above-mentioned directors and employees on March 20, 2018 and replaced these options with cash-settled bonus payments to these employees based on original vesting conditions.

Movements in the number of share options outstanding and their related weighted average exercise prices for the period ended June 30, 2021 and June 30, 2020 were as follows:

	2021		2020	
	Weighted average exercise price in HKD	Number of options	Weighted average exercise price in HKD	Number of options
At January 1	4.346	9,340,000	3.796	23,960,000
Cancelled	4.346	(9,340,000)	4.346	(4,620,000)
Lapsed	–	–	3.028	(10,000,000)
At June 30	–	–	4.346	9,340,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

18 SHARE-BASED PAYMENTS *(Continued)*

Employees share option scheme *(Continued)*

After cancellation and lapse of parts of share options mentioned above, there is no outstanding share options as at June 30, 2021 and the total fair value as at June 30, 2020 is approximately HKD10,380,998 (equivalent to US\$1,323,534).

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

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

The share option expense charged during the period ended June 30, 2021 was approximately HKD850,198 (equivalent to US\$131,607) and the share option expense reversed during the period ended June 30, 2020 was approximately HKD5,063,106 (equivalent to US\$648,674).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

19 BANK BORROWINGS

	As at	
	June 30, 2021	December 31, 2020
	Unaudited	Audited
	US\$	US\$
Non-current		
Bank borrowings		
– Secured	79,762,624	95,248,394
Less: current portion of long-term bank borrowings	(33,193,975)	(30,651,811)
Total non-current borrowings	46,568,649	64,596,583
Current		
Short-term bank borrowings		
– Secured	211,344,120	130,086,961
– Unsecured	9,432	61,241
Add: current portion of long-term bank borrowings	33,193,975	30,651,811
Total current borrowings	244,547,527	160,800,013
Total borrowings	291,116,176	225,396,596

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

19 BANK BORROWINGS *(Continued)*

As at June 30, 2021, the secured bank borrowings were secured as follows:

1. the bank borrowings amounting to EUR13,295,658 (equivalent to US\$15,818,748) were secured by trade receivables amounting to EUR16,619,573 (equivalent to US\$19,773,436).
2. the bank borrowings amounting to RMB298,800,000 (equivalent to US\$46,253,154) were secured by buildings and land use rights with net book value of RMB179,288,588 (equivalent to US\$27,753,222) and RMB29,813,783 (equivalent to US\$4,615,065), respectively.
3. the bank borrowings amounting to US\$11,837,979 and RMB990,881,060 (approximately US\$153,384,787) were guaranteed by subsidiaries of the Company.
4. the bank borrowings amounting to RMB200,000,000 (equivalent to US\$30,959,273) and US\$25,000,000 were secured by buildings and land use rights with net book value of RMB307,241,112 (equivalent to US\$47,559,807) and RMB47,218,408 (equivalent to US\$7,309,238), respectively. They were also guaranteed by subsidiaries of the Company.

As at December 31, 2020, the secured bank borrowings were secured as follows:

1. the bank borrowings amounting to EUR1,435,911 (equivalent to US\$1,613,977) were secured by trade receivables amounting to EUR1,794,888 (equivalent to US\$2,017,471).
2. the bank borrowings amounting to RMB60,000,000 (equivalent to US\$9,195,543) were secured by buildings and land use rights with net book value of RMB102,371,545 (equivalent to US\$15,689,366) and RMB29,813,783 (equivalent to US\$4,569,232), respectively.
3. the bank borrowings amounting to US\$83,502,375 and RMB546,544,000 (approximately US\$83,762,816) were guaranteed by subsidiaries of the Company.
4. the bank borrowings amounting to RMB250,000,000 (equivalent to US\$38,314,763) and US\$2,600,000 were secured by buildings, land use rights, and machinery and factory equipment with net book value of RMB181,509,389 (equivalent to US\$27,817,957), RMB41,914,761 (equivalent to US\$6,423,817) and RMB52,889,748 (equivalent to US\$8,105,833), respectively. They were also guaranteed by subsidiaries of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

19 BANK BORROWINGS (Continued)

The Group has the following undrawn borrowing facilities:

	As at	
	June 30, 2021	December 31, 2020
	Unaudited	Audited
	US\$	US\$
Floating rate:		
– Expiring within one year	52,151,139	–
– Expiring beyond one year	15,480	55,383,823
Fixed rate:		
– Expiring within one year	111,470,339	178,124,964
– Expiring beyond one year	20,949,634	–
	184,586,592	233,508,787

20 RETIREMENT BENEFIT OBLIGATIONS

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

	As at	
	June 30, 2021	December 31, 2020
	Unaudited	Audited
	US\$	US\$
Liability for:		
– post-retirement benefit obligations	982,851	834,045
Statement of profit or loss charge included in operating profit for:		
– post-retirement benefit obligations	140,228	251,434

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

21 TRADE PAYABLES

	As at	
	June 30, 2021 Unaudited US\$	December 31, 2020 Audited US\$
Trade payables – third parties	406,981,221	264,944,127

As at June 30, 2021 and December 31, 2020, the aging analysis of the trade payables based on invoice date was as follows:

	As at	
	June 30, 2021 Unaudited US\$	December 31, 2020 Audited US\$
Within 3 months	396,314,179	260,801,115
4 to 6 months	10,232,345	3,576,295
7 to 12 months	186,368	111,544
1 – 2 years	248,329	455,173
	406,981,221	264,944,127

22 COMMITMENTS

(a) Capital commitments

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

	As at	
	June 30, 2021 Unaudited US\$	December 31, 2020 Audited US\$
Contracted but not provided for property, plant and equipment	2,262,719	3,078,458

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

23 RELATED PARTY TRANSACTIONS

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

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

Name and relationship with related parties are set out below:

Related party	Relationship
Shanghai Mingwei Printing Company Limited ("Shanghai Mingwei")	Entity controlled by a relative of the ultimate controlling shareholder
Shanghai Jiufeng Plastic Production Company Limited ("Shanghai Jiufeng")	Entity controlled by a relative of the ultimate controlling shareholder
Hai'an Shitong Plastic Production Factory ("Hai'an Shitong")	Entity controlled by a relative of the ultimate controlling shareholder
Nantong Jiemaoplastic Company Limited ("Nantong Jiemaoplastic")	Entity controlled by a relative of the ultimate controlling shareholder
Hai'an Yaming Plastic Production Company Limited ("Hai'an Yaming")	Entity controlled by a relative of the ultimate controlling shareholder
Haian Mingwei Printing Company Limited ("Hai'an Mingwei")	Entity controlled by a relative of the ultimate controlling shareholder

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

23 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties

Continuing transactions

	Six months ended June 30	
	2021 Unaudited US\$	2020 Unaudited US\$
(i) Purchases from		
– Hai'an Shitong	2,152,205	674,488
– Hai'an Mingwei	1,070,998	–
– Nantong Jiemao	877,617	374,806
– Hai'an Yaming	580,589	277,345
– Shanghai Jiufeng	366,703	86,305
– Shanghai Mingwei	181,113	609,246
	5,229,225	2,022,190

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

(ii) Key management compensation:

	Six months ended June 30	
	2021 Unaudited US\$	2020 Unaudited US\$
Salaries, bonus and other welfares	491,523	563,743

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

23 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties

(i) Amount due to related parties:

	As at	
	June 30, 2021 Unaudited US\$	December 31, 2020 Audited US\$
Trade payables		
– Hai'an Shitong	1,428,330	897,883
– Hai'an Mingwei	934,064	702,728
– Nantong Jiemao	772,911	640,401
– Hai'an Yaming	482,832	436,414
– Shanghai Jiufeng	301,004	221,277
– Shanghai Mingwei	138,560	152,270
	4,057,701	3,050,973

As at June 30, 2021 and December 31, 2020, the aging analysis of the above trade payables due to related parties based on invoice date was as follows:

	As at	
	June 30, 2021 Unaudited US\$	December 31, 2020 Audited US\$
Within 3 months	4,057,701	3,050,973

24 CONTINGENCIES

As at June 30, 2021, there were six outstanding litigations regarding intellectual property rights and advertising activities against some of our subsidiaries. The Group anticipated it would be able to successfully defend itself against the allegations brought by the plaintiffs. Besides, the Group evaluated these legal proceedings individually or in aggregate would not have material financial or operational adverse impact on the Group.



Bestway

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