2013
ANNUAL REPORT

中國鋁罐控股有限公司

China Aluminum Cans Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 6898

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lin Wan Tsang *(Chairman)*
Mr. Chamlong Wachakorn
Ms. Ko Sau Mee

Non-executive Director

Mr. Kwok Tak Wang

Independent Non-executive Directors

Mr. Chung Yi To
Ms. Guo Yang
Mr. Leung Man Fai
Dr. Lin Tat Pang

COMMITTEES OF THE BOARD

Audit Committee

Mr. Leung Man Fai *(Chairman)*
Mr. Chung Yi To
Ms. Guo Yang
Dr. Lin Tat Pang

Remuneration Committee

Mr Leung Man Fai *(Chairman)*
Mr. Chung Yi To
Ms. Guo Yang
Mr. Kwok Tak Wang
Dr. Lin Tat Pang
Mr. Lin Wan Tsang

Nomination Committee

Dr. Lin Tat Pang *(Chairman)*
Mr. Chung Yi To
Ms. Guo Yang
Mr. Kwok Tak Wang
Mr. Leung Man Fai
Mr. Lin Wan Tsang

Risk Management Committee

Mr. Chung Yi To *(Chairman)*
Mr. Kwok Tak Wang
Mr. Leung Man Fai
Dr. Lin Tat Pang

AUTHORIZED REPRESENTATIVES

Mr. Lam Chi Ming, Francis
Mr. Lin Wan Tsang

COMPANY SECRETARY

Mr. Lam Chi Ming, Francis

REGISTERED OFFICE

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HEADQUARTER OF BUSINESS IN THE PRC

No. 5 Ya Bo Nan Road
National Health Technology Park of Zhongshan
Torch Development Zone
Zhongshan City
Guangdong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit G, 20/F, Golden Sun Centre
Nos. 59/67 Bonham Strand West
Sheung Wan
Hong Kong

Corporate Information

AUDITORS
Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

HONG KONG LEGAL ADVISER
Hastings & Co.
5th Floor, Gloucester Tower
The Landmark, 11 Pedder Street
Central
Hong Kong

COMPLIANCE ADVISER
Guosen Securities (HK) Capital Co., Ltd.
Unit 1604-6
Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL REGISTRAR AND TRANSFER OFFICER
Appleby Trust (Cayman) Ltd.
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS
Industrial and Commercial Bank of China Limited
Bank of China Limited
Bangkok Bank (China) Company Limited

STOCK CODE
6898

WEBSITE FOR THE COMPANY
www.euroasia-p.com

Chairman's Statement

On behalf of the board (the "Board") of directors of the Company (the "Directors"), I hereby present to the shareholders the annual report and audited consolidated financial statements of China Aluminum Cans Holdings Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2013 (the "Reporting Period").

RESULTS

During the Reporting Period, the Group's total turnover decreased by 5.0% to HK$260.3 million (2012: HK$273.9 million) however the Group's profit for the year (before listing expense) had improved to HK$48.8 million (2012: HK$46.6 million).

DIVIDEND

The Board is recommending a final dividend of HK$0.03 per share for the Reporting Period.

OUTLOOK

The overall economy in the People's Republic of China (the "PRC") continues to enjoy a robust and steady growth against a backdrop of macro-economic weakness and turbulence across many other parts of the world. There is an increasing demand of the personal care products and pharmaceutical products, driven by the booming consumer power in the urban as well as the rural areas. It is expected that the market size of PRC's aerosol cans product will continue to enjoy healthy growth and providing opportunities for the Group to further expand its business and market shares.

In order to capture the growth of demand of aerosol cans products in PRC, expansion of our production capacity is considered necessary. Our planned expansion in production capacity and the construction of a new research and development laboratory is on schedule to be completed by the end of 2014. Our annual production capacity is expected to increase by approximately 30 million cans upon full operation after the expansion.

In the coming year, as the Board is optimistic on the economic environment of the PRC, we will focus on maintaining and developing on the Group's PRC market share. The Board will also consider any investment opportunities which will benefit its shareholders as and when these opportunities arise.

GRATITUDE

On behalf of the Company, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers, banks and to our management and employees for their unreserved support and continuing trust to our Group.

By order of the Board
Lin Wan Tsang
Chairman

Hong Kong, 17 March 2014

Management Discussion and Analysis

BUSINESS OVERVIEW

During the Reporting Period, our Group is principally engaged in the manufacturing of monobloc aluminum aerosol cans, which are generally used in the packaging of fast-moving personal care products such as body deodorant, hair styling products and shaving cream, as well as pharmaceutical products such as pain relieving spray, spray dressing and antiseptic spray. Currently, the Group has a range of extrusion dies available in our inventory to produce more than 50 models of aluminum aerosol cans of base diameters from 22 mm to 66 mm and heights from 58 mm to 240 mm with various features and shapes for our customers' selection. Our products are sold in the PRC market and to different countries mainly in the Middle East and Africa. For the year ended 31 December 2013, the Group recorded revenue from the PRC, the Middle East and Africa of HK$147.6 million, HK$59.1 million and HK$36.9 million, accounting for 56.7%, 22.7% and 14.2% of our total revenue respectively.

The Group's overseas revenue had decreased by 25.0% during the Reporting Period, as a result of the competition from smaller overseas aerosol cans manufacturers. However, the increasing urban household disposable income in recent years has led to the substantial growth of PRC's consumer market, as such the Group's PRC revenue increased by 19.4%. It is forecast that a rising domestic consumption will bring about an increase in spending on various consumer goods including personal care and cosmetic products, which will lead to growing demands for better quality packaging products such as aluminum aerosol cans.

The Group had completed the installation of a pre-owned production line which came into full operation in the third quarter of 2013 and our annual production capacity increased to approximately 260 million cans. We will continue to expand our production capacity and product range in our aluminum packaging business to capture market share.

The Group has taken measures on strengthening our research and development team and cost control in order to improve our profitability. Our Board is highly alert to any changes in the present uncertain global economy, and remains confident on and committed to the continuation of our mission to maintain our leading position in the PRC through innovation and expansion to capture market share so as to deliver sustainable growth and profitability to the Group.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2013, the Group recorded revenue of approximately HK$260.3 million (2012: HK$273.9 million), representing a decrease of approximately 5.0% as compared to the corresponding period of 2012. The decrease in revenue was primarily due to the decrease in sales to the Group's overseas customers.

During the Reporting Period, the Group sold 96.1 million cans (2012: 82.4 million cans) to PRC customers and recorded revenue of HK$147.6 million (2012: HK$123.6 million). Whereas, the Group recorded revenue from overseas customers of HK$112.7 million (2012: HK$150.3 million) for the sale of 84.5 million cans (2012: 104.6 million cans). The increase in the Group's PRC sales was mainly due to the rising demand from our major PRC customers and increase in the sales of aluminum aerosol cans for the packaging of refrigerants.

Cost of Sales

Cost of sales of the Group for the year ended 31 December 2013 was approximately HK$163.5 million (2012: HK$182.8 million), representing a decrease of approximately 10.6% as compared to the corresponding period of 2012. Such change was mainly due to the decrease in the cost of aluminum ingots purchased in the period. The average purchase price of aluminum ingots had decreased by approximately 10.3% from 2012 to 2013.

Management Discussion and Analysis

Gross Profit and Gross Profit Margin

For the year ended 31 December 2013, the Group recorded gross profit of approximately HK$96.8 million (2012: HK$91.2 million), representing an increase of approximately 6.1% as compared to the corresponding period of 2012. The gross profit margin was approximately 37.2% (2012: 33.3%), representing an increase of approximately 3.9% as compared to the corresponding period of 2012. The increase in gross profit margin was primarily due to (i) the increase in our sales volume in the PRC market which has a higher gross profit margin as compared to overseas markets; (ii) the continuous decrease in the price of aluminum ingots; and (iii) increase in sales of 66mm aluminum aerosol cans used for the production of refrigerants which has a higher profit margin as compare to other smaller aluminum aerosol cans.

Other Income and Gains

For the year ended 31 December 2013, other income and gains mainly comprises sale of scrap materials, bank interest income, government grants, fair value gains on outstanding foreign currency forward contracts and exchange gains. Other income and gains of the Group was approximately HK$11.7 million (2012: HK$5.1 million), representing an increase of approximately HK$6.6 million as compared to the corresponding period of 2012. Such increase was due to (i) the increase in sale of scrap materials of HK$2.6 million; (ii) the increase in government grants of HK$1.7 million; and (iii) the increase in exchange gains of HK$1.7 million for the year ended 31 December 2013.

Selling and Distribution Expenses

Selling and distribution expenses mainly consist of transportation expenses and declaration charges for delivery of products to customers, salaries, performance bonuses and employee benefits expenses for the sales and marketing staff, business travel and entertainment expenses, and advertisement and promotion costs. For the year ended 31 December 2013, selling and distribution expenses was approximately HK$9.5 million (2012: HK$9.0 million), representing an increase of approximately 5.6% as compared to the corresponding period of 2012. The increase was primarily due to the increase in advertisement and promotional costs as a result of the expansion of our PRC sales.

Administrative Expenses

Administrative expenses mainly represented the salaries and benefits of the administrative and management staff, research and development expenses, professional consulting fees, depreciation, share option expense and other miscellaneous administrative expenses. For the year ended 31 December 2013, administrative expenses was approximately HK$32.0 million (2012: HK$23.6 million) after excluding a one-off listing expenses of approximately HK$10.7 million (2012: HK$5.7 million), representing an increase of 35.6% as compared to the corresponding period of 2012. The increase in administrative expenses was due to (i) share option expenses of HK$2.8 million; (ii) an increase in professional and consulting fee of approximately HK$2.4 million, mostly in relation to the renewal of the "High- and New-Technology Enterprise" (高新技術企業) status; and (iii) an increase in research and development expenses of approximately HK$1.8 million.

Finance Costs

For the year ended 31 December 2013, the Group recorded finance costs of HK$5.9 million (2012: HK$8.2 million), representing a decrease of approximately 28.0% as compared to the corresponding period of 2012. The decrease in finance cost was due to the decrease in average monthly bank borrowings.

Income Tax Expense

The income tax expense of the Group for the year ended 31 December 2013 was HK$10.6 million, representing a slight increase as compared to HK$8.4 million for the corresponding period of 2012. Effective income tax rate for the current period was approximately 21.8%, which was higher as compared with approximately 17.1% for the corresponding period of 2012. The higher effective income tax rate was due to the non-deductible listing expenses and share option expenses incurred in 2013.

Management Discussion and Analysis

Net Profit

The Group's net profit for the year ended 31 December 2013 was approximately HK$38.1 million (2012: HK$40.9 million), representing a decrease of approximately 6.8% as compared to the corresponding period of 2012. Net profit margin for the year ended 31 December 2013 was approximately 14.6% (2012: 14.9%) representing a slight decrease of approximately 0.3% as compared to the corresponding period of 2012. Such decrease was primarily due to the listing expenses of approximately HK$10.7 million and share option expenses of HK$2.8 million incurred during the period.

Dividend

The Board of Directors recommended a final dividend of HK$0.03 per share for the year ended 31 December 2013 whose names appear on the register of members of the Company on 14 May 2013 (For the year ended 31 December 2012: nil).

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

As at 31 December 2013, the Group had net current assets of approximately HK$109.6 million (31 December 2012: net current liabilities of HK$11.5 million). As a result of the successful listing of the Company's shares, the Group's cash and cash equivalents had increased from HK$2.4 million as at 31 December 2012 to HK$107.4 million (of which HK$56.1 million, HK$6.5 million and HK$44.8 million are denominated in RMB, US$ and HK$ respectively) as at 31 December 2013. As such, the current ratio of the Group had improved to approximately 2.1 as at 31 December 2013 (31 December 2012: 0.9).

Borrowings and the Pledge of Assets

The bank borrowings of the Group, which were secured by our properties, plant and equipment, land use rights and pledged bank deposits amounted to approximately HK$107.3 million (of which HK$63.2 million, HK$43.0 million and HK$1.1 million and denominated in RMB, US$ and HK$ respectively) as at 31 December 2013 with maturity date from 2014 to 2018 (31 December 2012: HK$110.7 million), in which HK$64.9 million will be expired before 31 December 2014.

As at 31 December 2013, Mr. Lin Wan Tsang ("Mr. Lin"), a controlling shareholder of the Company provided guarantees to certain banking facilities of the Group (the "Guarantees") amounting to HK$136.5 million (2012: HK$172.0 million), of which HK$87.1 million (2012: HK$97.6 million) were utilized. Prior to listing, the Group has obtained confirmations from the PRC branch of the relevant bank granting these facilities for the replacement of the Guarantees by the corporate guarantee of the Company upon successful listing of the Company's shares. As at the date of this report, the Company is in the progress of completion of formalities with the bank.

Gearing Ratio

As a result of the increase in the Group's reserves in the equity, the gearing ratio, which is calculated by dividing total borrowings by total equity, decreased to approximately 35.4% as at 31 December 2013 (31 December 2012: 67.7%). Further details of the Group's bank borrowings are set out in note 27 of the notes to the audited financial statements.

Contingent Liabilities

As at 31 December 2013, the Group had no significant contingent liabilities.

Contractual Obligations

As at 31 December 2013, the Group's operating lease and capital commitment amounted to HK$0.5 million (31 December 2012: HK$0.3 million) and HK$4,000 (31 December 2012: HK$0.2 million), respectively.

Foreign Exchange Exposure and Exchange Rate Risk

Approximately 43.3% of the Group's revenue for the year ended 31 December 2013 were denominated in US$. However, over 70% of the production costs were settled in RMB. Therefore there is a currency mismatch between US$ revenue and RMB production costs, which give rise to exposure to foreign exchange risk. Furthermore, there is a time lag between invoicing and final settlement from customers of export sales. The Group is exposed to foreign exchange risks if the foreign exchange rate at which the US$ sales proceeds received from export sales is different from the rate at which the Group used to book the US$ sales transactions at the time of sales.

We have entered into foreign currency forward contracts with state-owned banks in the PRC to hedge the foreign exchange risks arising out of the currency mismatch between the US$ sales proceeds from our export sales and our predominantly RMB based operations in the PRC. As a result of the appreciation of RMB against US$, we managed to account for approximately RMB1.5 million of realized gains on the forward contracts for the year ended 31 December 2013.

As at 31 December 2013, we had outstanding foreign currency forward contracts with notional amounts of US$2.1 million. A fair value gain on the outstanding foreign currency forward contracts of approximately HK$0.2 million had been recognized for the year ended 31 December 2013.

Forward Purchase of Aluminum Ingots

The major raw materials for manufacturing of aluminum aerosol cans are aluminum slugs which are processed from aluminum ingots. Aluminum ingots are a widely used metal commodity, as such the price of aluminum ingots fluctuates depending on the market supply and demand conditions.

In order to avoid our business from being negatively impacted by substantial increases in the cost of aluminum ingots, it has been our practice to hedge part of our monthly estimated requirement of aluminum ingots through forward purchases and cover the remainder through purchases in the spot market. This practice enables us to average down our actual cost of aluminum ingots for production in the event of a significant increase in the spot price of aluminum ingots after our forward purchases.

As at 31 December 2013, we had outstanding forward purchases with notional amounts of RMB1.6 million consisting of 125 tonnes of aluminum ingots.

Employees and Emoluments Policy

As at 31 December 2013, the Group had employed a total of 416 employees. The staff costs, including directors' emoluments but excluding any contributions to pension scheme, were approximately HK$24.5 million for the year ended 31 December 2013 (2012: HK$23.5 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance and share options are granted to attract and retain eligible employees of the Group.

The emoluments of Directors have been determined with reference to the skills, knowledge, involvement in the Company's affairs and the performance of each Director, and to the profitability of the Company and prevailing market conditions during the year.

SIGNIFICANT INVESTMENTS HELD

During the year ended 31 December 2013, the Group did not have any significant investments.

Management Discussion and Analysis

USE OF PROCEEDS

Our business objectives and planned use of proceeds as stated in the prospectus dated 28 June 2013 (the "Prospectus") were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus. The actual use of proceeds was based on the actual market development. The net proceeds from the public offer and placing of our shares (the "Share Offer") were approximately HK$80 million. During the period from 12 July 2013 (the "Listing Date") to 31 December 2013, the net proceeds from the Share Offer had been applied as follows:

Business objectives as stated in the Prospectus	Actual net proceeds	Amount utilized up to 31 December 2013	Balance as at 31 December 2013
	HK$ million	HK$ million	HK$ million
Fund the expansion of the production capacity of the Company	48	–	48
Establish a new research and development laboratory	12	–	12
Repay our US$ denominated bank loan	16	16	–
General working capital	4	4	–
	80	20	60

The unused net proceeds have been placed as interest bearing deposits with licensed banks in Hong Kong in accordance with the intention of the Board as disclosed in the Prospectus.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

With the net proceeds of approximately HK$80 million raised from the Share Offer, the Group has utilized approximately HK$20 million to, among other, repay the US dollar denominated bank loan and for general working capital usage.

Apart from strengthening the Group's current business, the Group will explore new business opportunities as and when appropriate, in order to enhance shareholder's value.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 December 2013, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

The following significant events took place after the Reporting Period.

On 7 March 2014, the Company terminated the compliance adviser's agreement entered between the Company and Shenyin Wanguo Capital (Hong Kong) Limited. On the same day, the Company appointed Guosen Securities (HK) Capital Co., Ltd as the new compliance adviser to the Company.

On 17 March 2014, the Board declared a cash dividend of HK$12,000,000.

Corporate Governance Report

The Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Directors continuously observe the principles of good corporate governance in the interests of shareholders and devote considerable effort to identifying and formalizing best practice.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") from the Listing Date up to 31 December 2013 except CG Code provision A.2.1.

Pursuant to CG Code provision A.2.1, the role(s) of chairman and chief executive should be separate and should not be performed by the same individual. As the duties of chairman and chief executive of the Company are performed by Mr. Lin Wan Tsang, the Company has deviated from the CG Code. The Board believes that it is necessary to vest the roles of chairman and chief executive in the same person due to its unique role, Mr. Lin's experience and established market reputation in the industry, and the importance of Mr. Lin in the strategic development of the Company. The dual role arrangement provides strong and consistent market leadership and is critical for efficient business planning and decision making of the Company. As all major decisions are made in consultation with the members of the Board, and there are four independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made with all the Directors and they have confirmed that they have complied with the Model Code throughout the period from the Listing Date to 31 December 2013.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not segregate the roles of Chairman and Chief Executive Officer and Mr. Li Wan Tsang currently holds both positions, as explained in the paragraph headed "Corporate Governance Practices" in the Corporate Governance Report.

NON-EXECUTIVE DIRECTOR

The non-executive Director is expected to participate in the activities of the Board, particularly in the establishment of a selection process to ensure a mix of competent directors and officers; adoption of a system of internal checks and balances; scrutiny of the Company's performance in achieving agreed corporate goals and objectives; and ensuring that the exercise of Board authority is within the powers conferred to the Board under the memorandum and articles of association of the Company (the "Articles") and applicable laws, rules and regulations.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors are highly skilled professionals with a broad range of expertise and experience in the fields of accounting, finance, legal and business. Their skills, expertise and number in the Board ensure that strong independent views and judgment are brought in the Board's deliberations and that such views and judgment carry weight in the Board's decision-making process. Their presence and participation also enable the Board to maintain high standards of compliance in financial and other mandatory reporting requirements, and provide adequate checks and balances to safeguard the interests of shareholders of the Company and the Company.

Each independent non-executive Director gives the Company an annual confirmation of his independence. The Company considers such Directors to be independent under the guidelines set out in Rule 3.13 of the Listing Rules.

THE BOARD

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2013. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 37 to 96.

Function of the Board

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

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

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

Board Composition

Currently, the Board comprises three executive Directors, one non-executive Director and four independent non-executive Directors. The Company has complied with rules 3.10 and 3.10A of the Listing Rules. From the Listing Date to 31 December 2013, the number of independent non-executive Directors represents more than one-third of the Board. As such, there exists a strong independent element in the Board, which can effectively exercise independent judgment.

The Board comprises the following Directors:

Executive Directors
Mr. Lin Wan Tsang *(Chairman)*
Mr. Chamlong Wachakorn
Ms. Ko Sau Mee

Non-executive Director
Mr. Kwok Tak Wang

Independent non-executive Directors
Mr. Chung Yi To
Ms. Guo Yang
Mr. Leung Man Fai
Dr. Lin Tat Pang

The brief biographic details of and relationship between the existing Directors are set out in the paragraph headed "Biographical Details of Directors and Senior Management" on pages 19 to 24. Ms. Ko Sau Mee is the spouse of Mr. Lin Wan Tsang. Save as disclosed above, there are no other relationship (including financial, business, family or other material/relevant relationship(s)) among members of the Board.

Appointment, Re-Election and Removal of Directors

All Directors are appointed for a specific term. Each of the executive Directors, non-executive Director and independent non-executive Directors (other than Mr. Chung Yi To) of the Company is under a service contract with the Company commencing from 20 June 2013 and Mr. Chung Yi To has entered into a service contact with the Company on 24 June 2013.

The Company has adopted "Directors Nomination Procedures" as written guidelines in providing formal, considered and transparent procedures to the Board for evaluating and selecting candidates for directorships. An external recruitment agency may be engaged to carry out the recruitment and selection process as necessary. Besides, the procedures and process of appointment, re-election and removal of directors are laid down in the Articles. According to the Articles, all Directors are subject to retirement by rotation at least once every three years and are eligible for re-election at the Company's annual general meeting ("AGM"). Any new director appointed by the Board to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after his/her appointment and any new director appointed by the Board as an addition to the Board shall submit himself/herself for re-election by shareholders at the next AGM.

In accordance with the Articles, Mr. Lin Wan Tsang, Mr. Chamlong Wachakorn and Ms. Ko Sau Mee shall retire and, being eligible, offer themselves for re-election at the forthcoming 2014 AGM. The Board and the Nomination Committee recommend their re-appointment. The Company's circular, sent together with this annual report, contains detailed information of the above three Directors as required by the Listing Rules.

Directors' Training

All Directors confirmed that they had complied with CG Code provision A.6.5 during the period from the Listing Date, all Directors had participated in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company has arranged an in-house training on the Listing Rules in the form of a seminar during the Reporting Period conducted by the legal adviser as to Hong Kong Laws and relevant training material has been distributed to the Directors. The training covered topics including the CG Code, listed company regulations and disclosure obligations in Hong Kong, discloseable transactions and connected transactions etc.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy. The Company seeks to achieve board diversity through the consideration of a number of factors in the Board members' selection process, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

During the Reporting Period, the Company has a solid slate of Directors with diverse perspectives and varied educational background and expertise made-up, from extensive knowledge of the manufacturing industry, experience in international trade, finance and corporate management, to professional qualifications in the legal and accounting fields. Each Director had accumulated experience in his/her respective field of expertise for over 10 years, all of whom are anchored by the common trait of having a natural aptitude and singular drive for the industry so as to bring sustainable growth to the Company.

Board Meeting and Procedures

Pursuant to CG Code provision A.1.1, the Board should meet regularly and board meetings should be held at least four times a year. As the time of the listing of the Company in the Stock Exchange which was on 12 July 2013 is relatively short, only two board meetings were held up to 31 December 2013. However, subsequent to the end of Reporting Period and up to the date of this report, a board meeting was held on 17 March 2014 to approve the Group's final results for the year ended 31 December 2013.

The Board may meet together for the despatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit and may determine the quorum necessary for the transaction of business. An AGM and an extraordinary general meeting called for the passing of a special resolution shall be called by at least 21 days' notice in writing, and a meeting of the Company other than an AGM or an extraordinary general meeting for the passing of a special resolution shall be called by at least 14 days' notice in writing. A meeting of the Board or any committee of the Board may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting.

When a Director and the enterprise(s) involved in a proposal of a Board meeting have connected relations, such Director shall not exercise his/her voting rights on such proposal nor shall he/she exercise any voting rights on behalf of other Directors.

Set out below are details of the attendance record of each Director at the Board and committee meetings of the Company held during the year ended 31 December 2013:

	Attendance/Number of Meetings Held				
Name of Directors	**Regular Board Meeting**	**Audit Committee Meeting**	**Nomination Committee**	**Remuneration Committee**	**Risk Management Committee**
Executive Director					
Mr. Lin Wan Tsang	(Chairman) 2/2	–	1/1	1/1	–
Mr. Chamlong Wachakorn	2/2	–	–	–	–
Ms. Ko Sau Mee	2/2	–	–	–	–
Non-executive Directors					
Mr. Kwok Tak Wang	2/2	–	1/1	1/1	4/5
Independent Non-executive Directors					
Ms. Guo Yang	2/2	2/2	1/1	1/1	
Mr. Chung Yi To	2/2	2/2	1/1	1/1	(Chairman) 4/5
Mr. Leung Man Fai	2/2	(Chairman) 2/2	1/1	(Chairman) 1/1	5/5
Dr. Lin Tat Pang	2/2	2/2	(Chairman) 1/1	1/1	5/5

Corporate Governance Report

The Board has established four committees, namely, the audit committee ("Audit Committee'), the remuneration committee ("Remuneration Committee"), the nomination committee ("Nomination Committee") and the risk management committee ("Risk Management Committee"), for overseeing particular aspects of the Company's affairs. All committees have been established with defined written terms of reference, which were posted on the Stock Exchange (www.hkex.com.hk) and the Company website (www.euroasia-p.com). All committees should report to the Board on their decisions or recommendations made.

All committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Audit Committee was established on 20 June 2013 with terms of reference in compliance with the CG Code for the purpose of making recommendations to the Board on the appointment and removal of the external auditor, reviewing the financial statements and related materials and providing advice in respect of the financial reporting process, and overseeing the internal control procedures of the Group. The Audit Committee comprises four members, all being independent non-executive Directors, namely, Mr. Leung Man Fai (Chairman), Dr. Lin Tat Pang, Mr. Chung Yi To and Ms. Guo Yang. The Group's accounting principles and practices, financial statements and related materials for the period had been reviewed by the Committee.

During the year ended 31 December 2013, the Audit Committee has held two meetings for discussion on issues arising from the audit and financial reporting matters.

Full minutes of the Audit Committee meetings are kept by the company secretary. Draft and final versions of the minutes of the Audit Committee meetings are sent to all members of the Audit Committee for comments and approval and all decisions of the Audit Committee are reported to the Board subject to applicable restriction.

The terms of reference of the Audit Committee are available on the website of the Company and the website of the Stock Exchange.

The external auditors were invited to attend the Audit Committee meetings held during the year to discuss with the Audit Committee members on issues arising from the audit and financial reporting matters. The Chairman of the Audit Committee provided the Board with a briefing on the significant issues after each Audit Committee meeting. There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors.

Nomination Committee

The Board used to follow a formal, considered and transparent procedure for the appointment of new directors to the Board. The appointment of a new director has been a collective decision of the Board, taking into consideration the candidate's qualification, expertise, experience, integrity and commitment to his/her responsibilities within the Group. In addition, all candidates to be selected and appointed as a director must be able to meet the standards set out in Rules 3.08 and 3.09 of the Listing Rules.

The Nomination Committee was established on 20 June 2013, with specific written terms of reference in compliance with the CG Code for reviewing the Board composition, developing the relevant procedures for nomination and appointment of Directors and assessing the independence of the independent non-executive Directors to ensure that the Board has a balance of expertise, skills and experience and formulating succession plans for executive directors and senior executives. The Nomination Committee comprises a total of six members, being one executive Director, namely, Mr. Lin Wan Tsang, one non-executive Director, namely, Mr Kwok Tak Wang, and four independent non-executive Directors, namely, Dr. Lin Tat Pang (Chairman), Mr. Chung Yi To, Mr. Leung Man Fai and Ms. Guo Yang. Accordingly, a majority of the members are independent non-executive Directors.

During the year ended 31 December 2013, the Nomination Committee has held one meeting.

Full minutes of the Nomination Committee meetings are kept by the company secretary. Draft and final versions of the minutes of the Nomination Committee meetings are sent to all members of the Nomination Committee for comments and approval and all decisions of the Nomination Committee are reported to the Board subject to applicable restriction.

The terms of reference of the Nomination Committee are available on the website of the Company and the website of the Stock Exchange.

Remuneration Committee

The Remuneration Committee was established on 20 June 2013, with specific written terms of reference for making recommendations to the Board regarding the Group's policy and structure for all remuneration of Directors and senior management and approving the remuneration package of the individual executive Directors, the specific duties set out in CG Code provision B.1.29(a) to (h). The Remuneration Committee comprises a total of six members, being one executive Director, namely, Mr. Lin Wan Tsang, one non-executive Director, namely, Mr Kwok Tak Wang, and four independent non-executive Directors, namely, Mr. Leung Man Fai (Chairman), Dr. Lin Tat Pang, Mr. Chung Yi To and Ms. Guo Yang. Accordingly, a majority of the members are independent non-executive Directors.

During the year ended 31 December 2013, the Remuneration Committee has held one meeting to review and discuss the remuneration policy of the Group and the remuneration packages of the Directors.

Full minutes of the Remuneration Committee meeting are kept by the company secretary. Draft and final versions of the minutes of the Remuneration Committee meetings are sent to all members of the Remuneration Committee for comments and approval and all decisions of the Remuneration Committee are reported to the Board subject to applicable restriction.

The terms of reference of the Remuneration Committee are available on the website of the Company and the website of the Stock Exchange.

Risk Management Committee

The Risk Management Committee was established on 24 June 2013, with specific written terms of reference for reviewing and approving the hedging policies as formulated by the hedging team of the Company ("Hedging Team") and report to the Board as to whether the hedging policies have been duly following by the Hedging Team. The Risk Management Committee is authorized to separate and independent direct access to and complete and open communication with the Group's management to allow them to fulfill their duties. The Risk Management Committee comprises a total of four members, being one non-executive Director, namely, Mr Kwok Tak Wang, and three independent non-executive Directors, namely, Mr. Chung Yi To (Chairman), Mr. Leung Man Fai and Dr. Lin Tat Pang. Accordingly, a majority of the members are independent non-executive Directors.

During the year ended 31 December 2013, the Risk Management Committee has held five meetings to review and approved the hedging policies have been duly following by the Hedging Team and report to the Board.

Full minutes of the Risk Management Committee meeting are kept by the company secretary. Draft and final versions of the minutes of the Risk Management Committee meetings are sent to all members of the Remuneration Committee for comments and approval and all decisions of the Risk Management Committee are reported to the Board subject to applicable restriction.

The terms of reference of the Risk Management Committee are available on the website of the Company and the website of the Stock Exchange.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTION

The Board does not have a Corporate Governance Committee. The functions that would be carried out by a Corporate Governance Committee are performed by the Board as a whole and are as follows:

1. to develop and review the Company's policies and practices on corporate governance;

2. to review and monitor the training and continuous professional development of directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The corporate governance policy is formulated with an emphasis on the Board's quality, effective internal control, stringent disclosure practices and transparency and accountability to all shareholders of the Company. The Board strives to comply with the code provisions and reviews its corporate governance policy regularly in order to maintain high standards of business ethics and corporate governance, and to ensure the full compliance of our operations with applicable laws and regulations.

EXTERNAL AUDITOR'S REMUNERATION

The Company engaged Ernst & Young as its external auditor for the year ended 31 December 2013. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors. During the year ended 31 December 2013, the fee payable to Ernst & Young in respect of its statutory audit services provided to the Company was RMB1.18 million.

INTERNAL CONTROL

During the Reporting Period, the Board has conducted a review of the effectiveness of the internal control system of the Company and its subsidiaries, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function, operational, and compliance controls and risk management function.

The Company engaged an independent professional firm to conduct an assessment on the effectiveness of the internal controls of the Group for the initial public offering ("IPO") exercise in 2013. Result of the assessment was positive. The internal control are reviewed and assessed on an on-going basis by the Audit Committee, and will be further reviewed and assessed at least once each year by the Board.

DELEGATION BY THE BOARD

In general, the Board oversees the Company's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance and sets appropriate policies for risk management in pursuit of the Group's strategic objectives. The Board delegates the implementation of strategies and day-to-day operation of the Group to the management.

COMPANY SECRETARY

Mr. Lam Chi Ming, the company secretary appointed by the Board and an employee of the Company, in the opinion of the Board, possesses the necessary qualification and experience, and is capable of performing of the functions of the company secretary. Since the Listing Date up to 31 December 2013, Mr. Lam has taken 15 hours of professional training. The Company will provide fund for Mr. Lam to take not less than 15 hours of appropriate professional training in each financial year as required under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An AGM of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an AGM, shall be called an extraordinary general meeting.

Shareholders to Convene an Extraordinary General Meeting

Pursuant to article 64 of the Articles, extraordinary general meetings shall be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisition(s) himself (themselves) may do so in the same manner.

Putting Enquiries by Shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the company secretary at the Company's principal place of business in Hong Kong.

Procedures for Putting Forward Proposals by Shareholders at Shareholders' Meetings

Shareholders of the Company are requested to follow article 64 of the Articles for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Shareholders to convene an extraordinary general meeting".

Pursuant to article 113 of the Articles, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office of the Company or at the Hong Kong branch share registrar and transfer office of the Company no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

The procedures for shareholders of the Company to propose a person for election as a Director is posted on the website of the Company. Shareholders or the Company may refer to the above procedures for putting forward any other proposals at general meetings.

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of AGM will be voted by poll.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. Information of the Company is disseminated to the shareholders in the following manner:

- Delivery of annual and interim results and reports to all shareholders;

- Publication of announcements on the annual and interim results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and

- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

Significant Changes in Constitutional Documents

On 20 June 2013, the Company has adopted an amended and restated memorandum and articles of association which had been uploaded to the website of the Company and the Stock Exchange. Save as disclosed above, there had been no significant changes in the constitutional documents of the Company during the year ended 31 December 2013.

Biographical Details of Directors and Senior Management

Biographies of Directors and senior management team are set out below:

EXECUTIVE DIRECTORS

Mr. Lin Wan Tsang (連運增), aged 48, was appointed as the chairman and executive Director on 20 June 2013. Mr. Lin is the founder and general manager of our Group. He is responsible for formulating our corporate strategies and overseeing the overall business of our Group. Mr. Lin has over 18 years of experience in the aluminum packaging industry and has extensive experience in the aerosol manufacturing industry. Mr. Lin started his business in the production of aluminum aerosol cans when he established Chaoyang City Euro Asia Aluminum Cans Industrial Company Limited* (潮陽市歐亞鋁罐工業有限公司) in 1995. Leveraging upon his experience and business connection in the aluminum packaging industry for aerosols, he further expanded his business into the aerosol manufacturing and aerosol filling industries through the establishment of Guangzhou Botny Chemical Co., Ltd. (廣州保賜利化工有限公司) ("Botny Chemical") in 2000 and Euro Asia Aerosol and Household Products Manufacture Co., Ltd. (廣州歐亞氣霧劑與日化用品製造有限公司) ("Euro Asia Aerosol") in 2006.

Mr. Lin is currently the vice-president of Guangdong Provincial Association of Standardization* (廣東省標準化協會), a standing member of China Packaging Federation (中國包裝聯合會) ("CPF") and the All-China Environment Federation* (中華環保聯合會), and a visiting professor of Zhongshan Torch Polytechnic (中山火炬職業技術學院).

Mr. Lin was appointed as a member of the Conghua City Chinese People's Political Consultative Conference National Committee* (從化市政協委員會) in 2011, vice-principal of the Metal Containers Committee (金屬容器委員會) of CPF for the period from 2011 to 2016, vice-president of Zhongshan City Printing and Packaging Association* (中山市印刷包裝行業協會) for the period from 2011 to 2014, and the deputy director of the Aerosol Packaging Committee (氣霧劑專業委員會) of CPF for the period from 2008 to 2013. He was awarded as honorary citizen of Conghua City, Guangdong Province in 2010.

Ms. Ko Sau Mee (高秀媚), aged 47, was appointed as the executive Director on 20 June 2013. Ms. Ko is the founder and she is responsible for formulating corporate strategies and overseeing the overall business of our Group. Ms. Ko has over 10 years of experience in the aluminum packaging industry. She together with Mr. Lin established Euro Asia Packaging (Guangdong) Co., Ltd. ("Euro Asia Packaging") in 2002 to engage in the manufacture and sale of aluminum aerosol cans and Botny Chemical in 2000 to engage in the production and sale of aerosol.

Mr. Chamlong Wachakorn (陳景輝), aged 70, was appointed as the executive Director on 20 June 2013 and is executive Director of Euro Asia Packaging since June 2012, an indirect wholly owned subsidiary of the Company. He is responsible for the formulation and development of business strategies for our Group.

He has been the vice-president of Guangzhou Conghua City Resident Enterprises Association* (廣州從化市民營企業協會), vice-president of the 4th session of the Jiangpo Sub-council of the Conghua City Federation of Commerce and Industry* (從化市工商業聯合會江埔分會第四屆商會), vice-president of the 14th session of the executive committee of the General Chamber of Commerce of Conghua City* (從化市總商會十四屆執行委員會), vice-president of the Conghua City Sub-council of the China Council for the Promotion of International Trade* (中國國際貿易促進委員會從化市支會), vice-president of China Chamber of International Commerce Conghua Chamber of Commerce* (中國國際商會從化商會) and a member of the Conghua City Chinese People's Political Consultative Conference National Committee* (從化市政協委員會).

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Kwok Tak Wang (郭德宏), aged 50, was appointed as a non-executive Director on 20 June 2013 and was a director of Euro Asia Packaging from July 2008 to October 2011 and from October 2012 to January 2013 an indirect wholly owned subsidiary of the Company. Mr. Kwok obtained a Master's degree in Business Administration from University of Chicago in 1997 and obtained a Master's degree in Computer Engineering from University of Southern California in 1992. He graduated from University of Wisconsin-Madison with a Bachelor's degree in Electrical Engineering in 1990.

Mr. Kwok is experienced in financial management and investment. Prior to joining our Group, he served as the managing director in JRE Asia Capital (Hong Kong) Limited from 2010 to 2012. He also served as the managing director in Credit Suisse Capital Advisors (Hong Kong) Limited from 2008 to 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lin Tat Pang (連達鵬), aged 57, was appointed as an independent non-executive Director on 20 June 2013. Dr. Lin obtained his Doctor of Law, Master of Law and Bachelor of Law from Peking University (北京大學) in 2009, 1998 and 1992 respectively. He also completed his Postgraduate Certificate in Hong Kong Law in City University of Hong Kong (previously known as City Polytechnic of Hong Kong) in 1993. Dr. Lin is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Chartered Association of Certified Accountants, United Kingdom. He is also a member of the Chartered Institute of Arbitrators, United Kingdom.

Dr. Lin has over 30 years of experience in accounting, finance and public offerings. He worked for Hong Kong Exchanges and Clearing Limited and the Stock Exchange between 1992 and March 2013, and his last position was senior consultant to the Listing, Listing & Regulatory Affairs Division of Hong Kong Exchanges and Clearing Limited. He has served as an adjunct professor at Huazhong University of Science & Technology (華中科技大學) since December 2011.

Dr. Lin does not have any relationship with any directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Group.

Biographical Details of Directors and Senior Management

Mr. Chung Yi To (鍾詒杜), aged 46, was appointed as an independent non-executive Director on 24 June 2013. He has over 20 years of experience in finance, particularly in the derivatives, futures and commodities sectors. Mr. Chung worked as an assistant manager of the China Offshore Interest Rate Derivatives department in Tullett Prebon (Hong Kong) Limited, a financial services firm, from October 2012 to April 2013. Between November 2006 and November 2011, he served as the senior vice president of foreign exchange and listed derivatives sales in MF Global Holdings HK Limited, where he managed a team that provided 24-hour coverage in global listed futures such as fixed income and commodities in the energy and metal markets. He was the licensed responsible officer under the SFO for MF Global Hong Kong Limited in respect of Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities for the period from April 2007 to November 2011; and Type 4 (advising on securities) and Type 5 (advising on futures contracts) regulated activities for the period from July 2011 to November 2011. For the purpose of full disclosure under Rule 13.51(2) of the Listing Rules, MF Global Holdings HK Limited was ordered to conduct a creditors' voluntary liquidation pursuant to the court order dated 4 October 2012. The liquidation of MF Global Holdings HK Limited was, in any circumstances, not caused by or related to Mr. Chung.

During July 2005 to November 2006, Mr. Chung worked for Credit Suisse (Hong Kong) Limited, and his last position was the vice president of the fixed income division. From May 2004 to July 2005, he worked for HSBC Futures, Singapore Pte Ltd, (Hong Kong branch) and was responsible for marketing commodities futures, and his last position was the associate director. From February 1998 to April 2004, he was employed by ABN AMRO Bank N.V. and his last position was the assistant vice president, sales of ABN AMRO Asia Futures Limited in ABN AMRO Clearing and Execution Services.

Mr. Chung does not have any relationship with any directors, senior management, substantial shareholders(as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Group.

Mr. Leung Man Fai (梁文輝), aged 49, was appointed as an independent non-executive Director on 20 June 2013. Mr. Leung is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Leung received a Bachelor of Arts degree in Accountancy from the City University of Hong Kong in 1991.

Mr. Leung has over 20 years of experience in accounting and finance. He is currently the chief financial officer and the company secretary of Da Ming International Holdings Limited (stock code: 1090), a company listed on the Main Board. Before joining Da Ming International Holdings Limited, Mr. Leung served as the financial controller and the company secretary of a private company from October 2003 to October 2006. From January 1996 to January 2003, he served various roles including financial controller, company secretary and finance manager in several listed companies within ITC Corporation Limited (stock code: 372). He also worked as a senior accountant in Hopewell Holdings Limited (stock code: 54) from November 1992 to January 1996.

Mr. Leung does not have any relationship with any directors, senior management, substantial shareholders(as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Group.

Biographical Details of Directors and Senior Management

Ms. Guo Yang (郭楊), aged 52, was appointed as an independent non-executive Director on 24 June 2013. Ms. Guo completed a professional course in economics management from Correspondence College of Party School of Central Committee of the Communist Party of China* (中共中央黨校函授學院) in 2001 and a professional course in industrial enterprise management from Beijing Open University (北京廣播電視大學) in 1986.

Ms. Guo has over 20 years of experience in the packaging industry. She has been the deputy secretary-general of the Aerosol Packaging Committee (氣霧劑專業委員會) of CPF since July 2011. During the period from January 1988 to July 2011, she worked in the following positions in CPF: the principal staff member of the Secretariat, the vice-chairman of the Office of Finance, the minister and the vice-minister of the Industry Department, the secretary-general of the Aerosol Packaging Committee (氣霧劑專業委員會) and the Aseptic Packaging Committee (無菌包裝委員會) as well as the deputy secretary-general of the Circular Economic Committee (循環經濟委員會). She also served as the manager of the Management Department of Concept Figure (Beijing) International Exhibition Company Limited* (觀圖（北京）國際展覽有限責任公司), the officer of the Federation of China Packaging Entrepreneurs* (中國包裝企業家聯合會).

Ms. Guo does not have any relationship with any directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Group.

SENIOR MANAGEMENT

Ms. He Wan Zhu (賀琬株), aged 43, has been the chief financial officer of our Group since February 2013. She is responsible for the accounting and treasury matters of our Group. Ms. He has extensive experience in the accounting and auditing profession. She was awarded as a certified public accountant and registered tax agent in the PRC and obtained a Bachelor's degree in Accounting from Renmin University of China (中國人民大學) in July 1998. Prior to joining our Group, she served as the department deputy manager of Shenzhen Pengcheng Certified Public Accountants Co., Ltd. (深圳市鵬城會計師事務所有限公司) from March 2005 to February 2012.

Mr. Lam Chi Ming, Francis (林志明), aged 55, was appointed as our company secretary on 20 June 2013. Mr. Lam has over 20 years of experience in the field of financial and general management. Mr. Lam is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Lam obtained a Bachelor's degree of Arts in Economics and Social Studies from the University of Manchester in July 1982.

Mr. Lam has been the director of KL CPA Limited, Certified Public Accountants since March 2010. Prior to joining our Group, he was the general manager and director of Solartech International Holdings Limited (stock code: 1166) from April 2009 to December 2009, the financial controller of China Flavors and Fragrances Company Limited (stock code: 3318) from March 2004 to February 2009, the financial controller, qualified accountant, company secretary and authorized representative of Kinetana Hong Kong Herbal Pharmaceutical Limited from July 2001 to September 2002. Mr. Lam worked for Pam and Frank Industrial Co. Ltd (stock code: 0431, now renamed as Greater China Holdings Limited) between October 1991 and November 2000 and his last position was senior vice president.

Biographical Details of Directors and Senior Management

Mr. Luo Yong Qiang (駱永強), aged 42, has joined our Group since 2011. He is the deputy general manager of our Group and is responsible for the overall management of the production, quality control, research and development as well as engineering departments. Mr. Luo was qualified as Guangdong Provincial Certified Junior Safety Management Personnel* (廣東省註冊初級安全管理人員) and Guangdong City Certified Fire Safety Management Personnel* (廣州市註冊消防安全管理人員). He took a two-year college course in Business Administration (Market Positioning) from The Open University of China* (中央廣播電視大學) in January 2010.

Mr. Luo has extensive working experience in production, production safety management, project planning, quality management system and human resources management. He participated in the planning and construction of large-scale aerosol-filling factories. From September 2000 to March 2011, he was the production director at Botny Chemical.

Mr. Lu Feng (路楓), aged 57, has been the secretary of the Board and deputy general manager of our Group since March 2008. Mr. Lu is responsible for our Group's overall capital management and maintaining public relation with various local government bodies and financial institutions.

Mr. Lu has more than 20 years of experience in business management and the securities industry. Mr. Lu obtained the Certificate of Completion of Training for Senior Management of Listed Companies* (上市公司高級管理人員培訓結業證書) issued by the Shenzhen Stock Exchange in 2011, the Secretary for Board of Directors Qualification Certificate issued by the Shenzhen Stock Exchange* (深圳證券交易所董事會秘書資格證書) in September 2009 and the Practitioner Qualification Certificate issued by the Securities Association of China* (中國證券業協會證券從業資格證書) in 2001. He was qualified as a hull engineer* (船體工程師資格) in 1992.

Prior to joining our Group, he served as the assistant to the general manager and manager of the assets management department of Zhongshan City National Health Technology Park (中山市國家健康科技產業基地) in Guangdong Province from January 2007 to February 2008. He also served as the general manager of the sales department and director of the Research Institute of Zhongshan Securities Company Limited* (中山證券有限責任公司研究所) from April 1996 to May 2005.

Ms. Xu Wei (徐蔚), aged 46, has joined our Group since 2004. She is the deputy general manager and is responsible for the sales and marketing for overseas markets of our Group. She obtained a Bachelor's degree in Arts from Shenzhen University (深圳大學) in July 1989.

Mr. Zuo Jie Hao (左結豪), aged 64, has joined our Group since June 2002. He is the deputy general manager and is responsible for the sales and marketing for the PRC market of our Group. Before he joined our Group, Mr. Zuo worked as the senior sales manager of Cebal Zhongshan Co. Ltd* (西博爾（中山）有限公司).

Biographical Details of Directors and Senior Management

Mr. Zhang Yao Ping (章耀平), aged 43, has joined our Group since November 2009. He has been the assistant to the general manager and is responsible for overseeing the administration and human resources management of our Group. Mr. Zhang is qualified as a senior chemical engineer* (化工高級工程師). He obtained a Bachelor's degree in Chemical Safety Engineering from Wuhan Institute of Iron and Steel* (武漢鋼鐵學院) in July 1993.

Prior to joining our Group, Mr. Zhang served as a deputy general manager of Zhongshan Lok Ko Party Time Company Limited* (中山樂高派對用品有限公司) in March 2008. He also served as a deputy general manager from June 2007 to May 2008, executive deputy general manager from January 2006 to May 2007 and assistant to chairman from November 2005 to June 2006 of Xiangxue Pharmaceutical Co., Ltd. (廣州市香雪製藥股份有限公司), and deputy officer of the general manager's office from March 2002 to December 2005 and deputy chief engineer from September 1995 to March 2002 of Aestar Fine Chemical Inc. Ltd. (中山市凱達精細化工股份有限公司).

Mr. Zhang was the deputy secretary-general of the Aerosol Packaging Committee (氣霧劑專業委員會) of CPF from November 2002 to December 2010. He was also a member of the National Technical Committee on Packaging of Standardization Administration of China* (全國包裝標準化技術委員會) and Guangdong Provincial Technical Committee on Packaging of Standardization Administration of China* (廣東省包裝標準化技術委員會委員).

Directors' Report

The Directors are pleased to present to the Shareholders this annual report and the audited consolidated financial statements for the year ended 31 December 2013.

GROUP REORGANIZATION

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 12 September 2012. Pursuant to a reorganization scheme to rationalize the structure of the Group in preparation for the listing of the Shares on the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 15 March 2013. For details of the group reorganization, please refer to the paragraph headed "Corporate Reorganization" in Appendix V "Statutory and General Information" to the Prospectus of the Company.

The Shares have been listed on the Main Board of the Stock Exchange since 12 July 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 19 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2013 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 39 to 96.

In July 2012, the Company declared a special dividend of HK$45.3 million to the then Shareholders of the Company.

The Board have recommended a final dividend of HK$0.03 per share for the year ended 31 December 2013 (year ended 31 December 2012: Nil) which will be subject to the approval of the Company's Shareholders at the forthcoming AGM.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 29 April 2014 to 5 May 2014, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for attending the forthcoming AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 28 April 2014.

The register of members of the Company will be closed from 12 May 2014 to 14 May 2014, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at the above address for registration not later than 4:30 p.m. on 9 May 2014.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last four financial years is set out on page 97 to 98 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 31 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the Listing Date.

RESERVES

The movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity of this annual report.

DISTRIBUTABLE RESERVES

At 31 December 2013, the Company's reserve available for distribution to owners was approximately HK$47.1 million. This includes the Company's retained profits and is available for distribution provided that immediately following the date on which the dividend is proposed, the Company will be able to pay off its debts as they fall due in the ordinary course of business.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$1.0 million.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2013, purchases from the single largest supplier of the Group and the five largest suppliers of the Group in aggregate accounted for approximately 52.1% (2012: 50.7%) and 79.2% (2012: 81.7%) of the Group's total purchases respectively.

For the year ended 31 December 2013, sales to the single largest customer of the Group and the five largest customers of the Group in aggregate accounted for approximately 15.5% (2012: 15.2%) and 43.7% (2012: 43.6%) of the Group's total turnover respectively.

At all-time during the year ended 31 December 2013, none of the Directors or any of their associates or any shareholders of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital had an interest in any of the five largest suppliers or customers.

Directors' Report

DIRECTORS

The Directors in office at the date of this report are:

Executive Directors

Mr. Lin Wan Tsang *(Chairman)*
Mr. Chamlong Wachakorn
Ms. Ko Sau Mee

Non-executive Director

Mr. Kwok Tak Wang

Independent non-executive Directors

Mr. Chung Yi To
Ms. Guo Yang
Mr. Leung Man Fai
Dr. Lin Tat Pang

Mr. Lin Wan Tsang, Mr. Chamlong Wachakorn and Ms. Ko Sau Mee will retire in accordance with article 108(a) of the Articles at the Company's forthcoming AGM and being eligible, offer themselves for re-election.

Every Director shall retire from office once every three years and for this purpose, at each AGM one-third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest one-third (1/3) but not less than one-third (1/3) shall retire from office by rotation. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. Subject to the Articles, a retiring Director shall be eligible for re-election at the meeting at which he retires. For avoidance of doubt, each Director shall retire at least once every three (3) years.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 19 to 24 of this Annual Report.

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has respectively entered into a service contract commencing from the Listing Date with the Company for a term of three years unless terminated by not less than three months' notice in writing served by either party on the other.

Each of the non-executive Director and the independent non-executive Director has entered into a service contract with the Company for a term of two years commencing from (i) the Listing Date (in relation to the contract with the non-executive Director); and (ii) the date of the respective contracts (in relation to the contracts with the independent non-executive Directors) unless terminated by not less than one month's notice in writing served by either party on the other.

Other than disclosed above, none of the Directors of the Company has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, interests or short positions in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

(i) Long position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of our Company
Mr. Lin	Interest in a controlled corporation (Note)	300,000,000	75%
Ms. Ko Sau Mee ("Mrs. Lin"')	Interest in a controlled corporation (Note)	300,000,000	75%

Note: Wellmass International Limited ("Wellmass") is 100% beneficially owned by Mr. Lin. As Mrs. Lin is the spouse of Mr. Lin, Mrs. Lin is deemed to be interested in the shares of Wellmass held by Mr. Lin. Accordingly, each of Mr. Lin and Mrs. Lin is deemed to be interested in the Shares held by Wellmass under the SFO.

(ii) Long position in Wellmass, an associated corporation of our Company

Name of Director	Capacity/Nature of interest	Approximate percentage of the issued share capital of our Company
Mr. Lin	Beneficial owner	100%
Mrs. Lin	Family interest (Note)	100%

Note: Wellmass is 100% beneficially owned by Mr. Lin. As Mrs. Lin is the spouse of Mr. Lin, Mrs. Lin is deemed to be interested in the Wellmass shares held by Mr. Lin.

(iii) Long positions in underlying shares of share options of the Company

Name of Director	Company/ Name of associated corporations	Capacity/Nature of interest	Number of ordinary Shares	Approximate percentage of the shareholding
Mr. Chamlong Wachakorn	The Company	Beneficial owner (Note)	3,500,000	0.875%
Mr. Kwok Tak Wang	The Company	Beneficial owner (Note)	2,000,000	0.5%

Note : These represent the Shares to be issued and allotted by the Company upon exercise of the options granted under the Pre-IPO Share Option Scheme.

Save as disclosed above, none of the Directors or chief executive of the Company and/or any of their respective associates had registered any interests or short positions in any shares and underlying shares in, and debentures of, the Company or any associated corporations as at 31 December 2013, as 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 Part XV of the SFO or the Model Code .

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2013, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

(i) Long position in the Shares

Name	Capacity/Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of our Company
Wellmass	Beneficial owner (Note)	300,000,000	75%

Note: Wellmass is 100% beneficially owned by Mr. Lin. As Mrs. Lin is the spouse of Mr. Lin, Mrs. Lin is deemed to be interested in the shares of Wellmass held by Mr. Lin. Accordingly, each of Mr. Lin and Mrs. Lin is deemed to be interested in the Shares held by Wellmass under the SFO.

Save as disclosed above, as at 31 December 2013, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest subsisted at the end of the Reporting Period or at any time during the Reporting Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Share Option Scheme" below, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective associates to acquire such rights in any other body corporate.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

As at 31 December 2013, the Directors were not aware of any business or interest of the Directors and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors confirmation of independence, and the Company considers that each of them to be independent and has met the guidelines set out in Rule 3.13 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors of the Company have confirmed that, following specific enquiry by the Company, they have compiled with the required standard set out in the Model Code during the period from Listing Date to 31 December 2013.

PRE-IPO SHARE OPTION SCHEME

The Group adopted a Pre-IPO share option scheme on 20 June 2013 (the "Pre-IPO Share Option Scheme") so as to recognize and motivate the contributions that certain executive and non-executive Directors, members of the senior management and other employees (the "Grantees") have made or may make to our Group.

Initially, options to subscribe for an aggregate of 17,490,000 Shares had been granted to certain executive and non-executive Directors, members of the senior management and other employees of our Group, representing approximately 4.37% of the total issued share capital of the Company as at the date of this annual report. No further options will be issued by the Company pursuant to the Pre-IPO Share Option Scheme. The exercise price per Share is HK$0.70, which is equivalent to 70% of the offering price per Share. All options granted under the Pre-IPO Share Option scheme on or before 20 June 2013 may be exercised in the following manner:

Exercise Period	Maximum percentage of options exercisable
Commencing on the first anniversary date of the Listing Date upon certain fulfillment of certain conditions and ending on the 10th anniversary date of the offer date (the Expiration Date") (both dates inclusive)	30% of the total number of options granted to each of the Grantees
Commencing on the second anniversary date of the Listing Date upon certain fulfillment of certain conditions and ending on the 10th anniversary date of the offer date (the Expiration Date") (both dates inclusive)	30% of the total number of options granted to each of the Grantees
Commencing on the third anniversary date of the Listing Date upon certain fulfillment of certain conditions and ending on the 10th anniversary date of the offer date (the Expiration Date") (both dates inclusive)	40% of the total number of options granted to each of the Grantees

Each of the Grantees is required to pay HK$1.00 on acceptance of the options granted under the Pre-IPO Share Option Scheme.

Set out below is further information on the outstanding options granted under the Pre-IPO Share Option Scheme as at 31 December 2013:

Name of grantees	As at Listing Date	Lapsed during the period	Exercised during the period	Outstanding as at 31 December 2013	Subscription price per Share
		Number of share options			HK$
Directors					
Chamlong Wachakorn	3,500,000	–	–	3,500,000	0.7
Kwok Tak Wang	2,000,000	–	–	2,000,000	0.7
Sub-total	5,500,000	–	–	5,500,000	
Senior Management					
Luo Yong Qiang	1,000,000	–	–	1,000,000	0.7
Lu Feng	1,000,000	–	–	1,000,000	0.7
He Wan Zhu	1,000,000	–	–	1,000,000	0.7
Xu Wei	1,000,000	–	–	1,000,000	0.7
Zuo Jie Hao	1,000,000	–	–	1,000,000	0.7
Zhang Yao Ping	1,000,000	–	–	1,000,000	0.7
Sub-total	6,000,000	–	–	6,000,000	
Others					
Employees	5,990,000	–	–	5,990,000	0.7
Total	17,490,000	–	–	17,490,000	

No options granted under the Pre-IPO Share Option Scheme were exercised or cancelled during the year ended 31 December 2013.

During the year ended 31 December 2013, no employee who were granted share options under the Pre-IPO Share Option Scheme ceased to be employed by the Group as such no share options granted were lapsed.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 20 June 2013 for the purpose of giving certain Eligible Persons (as defined below) on opportunity to have a personal stake in the Company and motivating them to optimize their future performance and efficiency to the Group and/or rewarding them for their past contributions, and attracting and retaining, or otherwise maintaining on-going relationships with, such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. "Eligible Persons" refer to (i) any Eligible Employees. "Eligible Employees" means employees (whether full time or part time, including any executive Director but excluding any non-executive Director) of our Company, any subsidiary or any entity in which our Group holds at least 20% of its issued share capital ("Invested Entity"); (ii) any non-executive Directors (including independent non-executive Directors) of our Company, any subsidiary or any Invested Entity; (iii) any supplier of goods or services to any member of our Group or any Invested Entity; (iv) any customer of any member of our Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity; (vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity; (vii) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group.

An offer for the grant of options must be accepted within 21 days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00. The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date of the relevant option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the offer date of the relevant option; and (iii) the nominal value of a Share on the offer date.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the shares in issue as at the Listing Date. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such grant exceeding 1% in aggregate of the Shares in issue as at the date of such grant.

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. As at the date of this annual report, the total number of securities available for issue under the Share Option Scheme was 40,000,000 Shares, which represented 10% of the issued share capital of the Company.

From the adoption date of the Share Option Scheme on 20 June 2013 to 31 December 2013, no share option was granted, exercised, cancelled or lapsed under the Share Option Scheme as at 20 June 2013 and as at 31 December 2013.

CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 37 to the consolidated financial statements constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

In 2013, the Group entered into various transactions which constituted continuing connected transactions under Chapter 14A of the Listing Rules and are continuing after the Listing. All the continuing connected transactions during the year that need to be disclosed herein are in compliance with the Listing Rules. The actual monetary value of the continuing connected transactions of the Group for the financial year ended 31 December 2013 is set out below:

	Connected Person	Nature of Transaction	Actual monetary value for the financial year ended 31 December 2013 HK$'000
1.	Euro Asia Aerosol	Sales of aluminum aerosol cans to Euro Asia Aerosol ("Transaction 1")	3,882
2.	Botny Chemical	Sales of aluminum aerosol cans to Botny Chemical ("Transaction 2")	1,658
3.	Mr. Lin	Operating lease rental expense charged by Mr. Lin ("Transaction 3")	96

Further information on transactions 1, 2 and 3 are provided as follows:

Transaction 1: Euro Asia Aerosol is a wholly-owned subsidiary of European Asia Industrial Limited ("European Asia Industrial"), which is in turn wholly owned by Mr. Lin, and is engaged in the content filling of aerosol cans.

On 20 June 2013, Euro Asia Packaging, a non-wholly owned subsidiary of the Company, and Euro Asia Aerosol entered into a master agreement (the "Euro Asia Aerosol Agreement"), pursuant to which the Company had agreed to sell aluminum aerosol cans to Euro Asia Aerosol at a price to be determined from time to time with reference to the product types and specification, sales volume and selling price offered to independent third parties, commencing from the Listing Date to 31 December 2015, provided that either party may terminate the Euro Asia Aerosol Agreement by giving not less than three months' prior written notice to the other party.

Transaction 2: Botny Chemical is a wholly-owned subsidiary of European Asia Industrial, which is in turn wholly owned by Mr. Lin, and is engaged in the content filling of aerosol cans and production and sale of aerosol products.

On 20 June 2013, Euro Asia Packaging and Botny Chemical entered into a master agreement (the "Botny Chemical Agreement"), pursuant to which the Company had agreed to sell aluminum aerosol cans to Botny Chemical at a price to be determined from time to time with reference to the product types and specification, sales volume and selling price offered to independent third parties, commencing from the Listing Date to 31 December 2015, provided that either party may terminate the Botny Chemical Agreement by giving not less than three months' prior written notice to the other party.

Transaction 3: On 31 December 2012, a lease agreement (the "Lease Agreement") was entered into between Mr. Lin (as landlord) and the Group (as tenant) in respect of the property situated at Unit G, 20/F, Golden Sun Centre, Nos. 59/67 Bonham Strand West, Hong Kong (the "Property").

The Property is leased for a term commencing on 1 January 2013 and ending on 31 December 2015 (both days inclusive) at a monthly rental of HK$8,000 (exclusive of rates, government rent,management fees and other utilities outgoings which are payable by the tenant) and payable in advance. Under the Lease Agreement, a deposit of HK$8,000 had been paid by the tenant to the landlord. The Property has a gross floor area of approximately 40.41 sq.m., and is currently used as the office to deal with bank remittances made by overseas customers for our export sales. The rental under the Lease Agreement was determined by making reference to the market rates of neighboring properties.

As the relevant applicable percentage ratios with respect to the transactions contemplated under the Lease Agreement on an annual basis is less than 5% and the annual consideration is less than HK$1 million, the entering into of the Lease Agreement constitutes an exempt continuing connected transaction under Rule 14A.33 of the Listing Rules, and is exempt from the reporting,annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company's auditor was engaged to report on the non-exempt continuing connected transactions (the "Transactions") and has issued a letter to the Board setting out the confirmation required under Rule 14A.38 of the Listing Rules and a copy of which has been provided by the Company to the Stock Exchange.

All independent non-executive Directors of the Company had reviewed the Transactions and confirmed that:

The Transactions for the year ended 31 December 2013 were entered into:

(i) in the ordinary and usual course of the Company's business;

(ii) on terms no less favourable to the Company than terms available from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

FUTURE PROSPECT AND DEVELOPMENT

It is expected that the market size of PRC's aerosol cans product in PRC will continue to enjoy healthy growth and providing opportunities for the Group to further expand its business and market shares.

In order to capture the growth of demand of aerosol cans products in PRC, expansion of our production capacity is considered necessary. Our planned expansion in production capacity and the construction of a new research and development laboratory is on schedule to be completed by the end of 2014. Our annual production capacity is expected to increase by approximately 30 million cans upon full operation after the expansion.

In the coming year, the Board is optimistic on the economic environment of the PRC, and we will focus on maintaining and developing on the Group's PRC market share. The Board will also consider any investment opportunities which will benefit its shareholders as and when these opportunities arise.

AUDITORS

Ernst & Young, the auditors of the Company, will retire at the conclusion of the forthcoming AGM of the Company and be eligible to offer themselves for re-appointment. A resolution will be submitted to the AGM to be held on 5 May 2014 to seek Shareholders' approval on the appointment of Ernst & Young as the Company's auditors until the conclusion of the next AGM and to authorize the Board to fix their remuneration.

By order of the Board
Lin Wan Tsang
Chairman

Hong Kong, 17 March 2014

Independent Auditor's Report

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Building a better working world

To the shareholders of China Aluminum Cans Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Aluminum Cans Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 39 to 96, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
17 March 2014

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
REVENUE	8	**260,311**	273,923
Cost of sales		**(163,543)**	(182,769)
Gross profit		**96,768**	91,154
Other income and gains	8	**11,699**	5,138
Selling and distribution expenses		**(9,456)**	(9,002)
Administrative expenses		**(42,746)**	(29,318)
Other expenses		**(1,693)**	(521)
Finance costs	10	**(5,936)**	(8,154)
PROFIT BEFORE TAX	9	**48,636**	49,297
Income tax expense	13	**(10,581)**	(8,433)
PROFIT FOR THE YEAR		**38,055**	40,864
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**5,729**	(699)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**43,784**	40,165
Profit attributable to:			
Owners of the Company		**37,343**	38,273
Non-controlling interests		**712**	2,591
		38,055	40,864
Total comprehensive income attributable to:			
Owners of the Company		**42,922**	37,619
Non-controlling interests		**862**	2,546
		43,784	40,165
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	16		
Basic		**HK10.8 cents**	HK12.8 cents
Diluted		**HK10.7 cents**	HK12.8 cents

Details of the dividends paid and proposed during the year are disclosed in note 15 to the financial statements.

Consolidated Statement of Financial Position

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**222,923**	201,635
Prepaid land lease payments	18	**16,969**	16,944
Non-current prepayments	23	**–**	14,004
Deferred tax assets	30	**564**	586
Total non-current assets		**240,456**	233,169
CURRENT ASSETS			
Inventories	20	**27,276**	25,462
Trade and bills receivable	21	**53,888**	39,141
Derivative financial instruments	22	**231**	–
Prepayments, deposits and other receivables	23	**15,943**	6,870
Pledged deposits	24	**2,871**	2,980
Cash and cash equivalents	24	**107,372**	2,380
Total current assets		**207,581**	76,833
CURRENT LIABILITIES			
Trade payables	25	**7,505**	4,844
Other payables and accruals	26	**18,681**	20,784
Interest-bearing bank and other borrowings	27	**64,899**	56,253
Tax payable		**6,634**	6,179
Deferred income	29	**273**	265
Total current liabilities		**97,992**	88,325
NET CURRENT ASSETS/(LIABILITIES)		**109,589**	(11,492)
TOTAL ASSETS LESS CURRENT LIABILITIES		**350,045**	221,677
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**42,384**	54,465
Deferred income	29	**3,483**	3,643
Deferred tax liabilities	30	**1,235**	–
Total non-current liabilities		**47,102**	58,108
Net assets		**302,943**	163,569
EQUITY			
Equity attributable to owners of the Company			
Issued capital	31	**4,000**	–
Reserves	33	**283,315**	161,328
Proposed final dividend	15	**12,000**	–
		299,315	161,328
Non-controlling interests		**3,628**	2,241
Total equity		**302,943**	163,569

Lin Wan Tsang	**Ko Sau Mee**
Director	*Director*

Consolidated Statement of Changes in Equity

Years ended 31 December 2013

	Equity attributable to owners of the parent							
	Issued capital HK$'000	Merger Reserve HK$'000 (note 33(i))	Statutory surplus funds HK$'000 (note 33(ii))	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012	–	98,536	10,622	17,033	24,090	150,281	21,665	171,946
Profit for the year	–	–	–	–	38,273	38,273	2,591	40,864
Other comprehensive loss for the year:								
Exchange differences on translation of foreign operations	–	–	–	(654)	–	(654)	(45)	(699)
Total comprehensive income/(loss) for the year	–	–	–	(654)	38,273	37,619	2,546	40,165
Transfer from retained profits	–	–	4,352	–	(4,352)	–	–	–
Acquisition of non-controlling interests	–	12,660	1,596	2,153	(555)	15,854	(15,854)	–
Dividends declared	–	–	–	–	(42,426)	(42,426)	(6,116)	(48,542)
At 31 December 2012	–	111,196#	16,570#	18,532#	15,030#	161,328	2,241	163,569

	Attributable to owners of the parent										
	Issued capital HK$'000 (note 31)	Share premium account HK$'000	Contributed surplus HK$'000 (note 33 (i))	Share option reserve HK$'000 (note 32)	Reserve funds HK$'000 (note 33 (ii))	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividends HK$'000 (note 15)	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013	–	–	111,196	–	16,570	18,532	15,030	–	161,328	2,241	163,569
Profit for the year	–	–	–	–	–	–	37,343	–	37,343	712	38,055
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	–	–	–	–	–	5,579	–	–	5,579	150	5,729
Total comprehensive income for the year	–	–	–	–	–	5,579	37,343	–	42,922	862	43,784
Issue of shares	1,000	99,000	–	–	–	–	–	–	100,000	–	100,000
Capitalisation issue	3,000	(3,000)	–	–	–	–	–	–	–	–	–
Share issue expenses	–	(7,746)	–	–	–	–	–	–	(7,746)	–	(7,746)
Transfer from retained profits	–	–	–	–	5,053	–	(5,053)	–	–	–	–
Capital injection	–	–	–	–	–	–	–	–	–	525	525
Equity-settled share option arrangements	–	–	–	2,811	–	–	–	–	2,811	–	2,811
Proposed final 2013 dividends	–	(12,000)	–	–	–	–	–	12,000	–	–	–
At 31 December 2013	4,000	76,254#	111,196#	2,811#	21,623#	24,111#	47,320#	12,000	299,315	3,628	302,943

Note:

These reserve accounts comprise the consolidated reserves of HK$283,315,000 (2012: HK$161,328,000) in the consolidated statements of financial position.

Consolidated Statement of Cash Flows

Years ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**48,636**	49,297
Adjustments for:			
Finance costs	10	**5,936**	8,154
Bank interest income	8	**(51)**	(140)
Gain on disposal of items of property, plant and equipment		**(760)**	(43)
Government grants released	8	**(2,355)**	(699)
Fair value gains, net:			
Derivative instruments — transactions not qualifying as hedges	8	**(227)**	–
Share option expense	32	**2,811**	–
Depreciation	17	**17,447**	16,302
Amortisation of land lease prepayments	18	**497**	490
Listing expenses		**10,702**	–
		82,636	73,361
(Increase)/decrease in inventories		**(2,355)**	2,732
Increase in trade and bills receivable		**(14,747)**	(1,427)
(Increase)/decrease in prepayments, deposits and other receivables		**(2,966)**	12,405
Increase/(decrease) in trade payables		**2,661**	(11,737)
Increase/(decrease) in other payables and accruals		**(2,536)**	422
Receipt of government grants		**2,086**	443
Cash received from operations		**64,779**	76,199
PRC tax paid		**(8,867)**	(9,368)
Net cash flows from operating activities		**55,912**	66,831
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(24,037)**	(19,026)
Decrease in an amount due from a related party		**–**	13,282
Interest received		**51**	140
Decrease in pledged deposits		**109**	755
(Expenditure)/proceeds from disposal of items of property, plant and equipment		**(569)**	94
Receipt of government grants		**–**	247
Net cash flows used in investing activities		**(24,446)**	(4,508)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**70,703**	195,705
Repayment of bank loans		**(75,005)**	(197,245)
Capital element of finance lease rental payments		**(110)**	–
Interest paid		**(5,629)**	(8,209)
Dividends paid		**–**	(66,837)
Decrease in an amount due to a non-controlling shareholder		**–**	(2,467)
Payment of listing expenses		**(16,737)**	(5,403)
Issue of shares		**100,000**	–
Net cash flows from/(used in) financing activities		**73,222**	(84,456)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**104,688**	(22,133)
Exchange realignment		**304**	(511)
Cash and cash equivalents at beginning of year		**2,380**	25,024
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	**107,372**	2,380

Statement of Financial Position

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Investments in a subsidiary	19	–	–
Total non-current assets		–	–
CURRENT ASSETS			
Prepayments and other receivables	23	70	–
Amounts due from subsidiaries	19	77,249	–
Cash and cash equivalents	24	298	–
Total current assets		77,617	–
CURRENT LIABILITIES			
Accruals		(5)	–
NET CURRENT ASSETS		77,612	–
Net assets		77,612	–
EQUITY			
Issued capital	31	4,000	–
Reserves	33	61,612	–
Proposed final dividends	15	12,000	–
Total equity		77,612	–

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 12 September 2012. The Company's registered office address is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 July 2013 (the "Listing Date").

The principal activity of the Company is investment holding. The principal activities of the subsidiaries (the Company and its subsidiaries are collectively referred to as the "Group") comprise the manufacture and sale of aluminum aerosol cans. There has been no significant change in the Group's principal activities during the year.

In the opinion of the directors (the "Directors"), as at the date of this report, the immediate holding company and ultimate holding company of the Company is Wellmass International Limited, a company incorporated in the British Virgin Islands ("BVI").

In preparation for the listing of the shares of the Company on the Stock Exchange, the Group underwent a corporate reorganisation (the "Reorganisation"), pursuant to which the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the paragraph headed "Corporate Reorganisation" in Appendix V — "Statutory and General Information" to the prospectus of the Company dated 28 June 2013 (the "Prospectus").

2. BASIS OF PREPARATION

Pursuant to the Reorganisation, the subsidiaries now comprising the Group were under the common control of the controlling shareholders before and after the Reorganisation. Accordingly, these financial statements have been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the financial periods presented.

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs", which include all International Financial Reporting Standards, International Accounting Standards ("IAS") and Interpretations) issued by the International Accounting Standards Board (the "IASB") and disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. They are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

As aforementioned, these financial statements have been prepared using the merger accounting method.

The merger accounting method involves incorporating the financial statement items of the combining entities or businesses which underwent the Reorganisation under common control as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are consolidated using the existing book values. No amount is recognised in respect of goodwill or excess of the acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of investment at the time of common control combination, to the extent of the continuation of the controlling party's interest. The consolidated statement of comprehensive income included the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the Reorganisation under common control.

2. BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

The consolidated statements of financial position as at 31 December 2013 and 2012 have been prepared to present the state of affairs of the Group as if the current structure of the Group had been in existence and in accordance with the respective equity interests in the individual companies attributable to the Company as at the respective dates.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 — *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits*
IAS 27 (Revised)	*Separate Financial Statements*
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009–2011 Cycle	Amendments to a number of IFRSs issued in May 2012

The adoption of these new and revised standards has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements, except for the following:

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Group provides these disclosures in note 38.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 9	*Financial Instruments*[3]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39*[3]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) — *Investment Entities*[1]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets And Financial Liabilities*[1]
IAS 39 Amendments	*Amendments to IAS 39 Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC 21	*Levies*[1]
Annual Improvements to IFRSs 2010–2012 Cycle	Amendments to a number of IFRSs issued in December 2013[2]
Annual Improvements to IFRSs 2011–2013 Cycle	Amendments to a number of IFRSs issued in December 2013[2]

1 Effective for annual periods beginning on or after 1 January 2014

2 Effective for annual periods beginning on or after 1 July 2014

3 No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application, but is not yet in a position to state whether these new and revised IFRSs will have a significant impact on the Group's results of operations and financial position.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person (i) has control or joint control over the Group; (ii) has significant influence over the Group; or (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the Group (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of that asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.5%
Plant and machinery	4.5%–9%
Office and other equipment	18%
Motor vehicles	18%

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate at least, at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents plant and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Asset held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated statements of comprehensive income so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive changes in fair value presented as other income and gains and negative net changes in fair value presented as other expense in the consolidated statements of comprehensive income. These net fair value changes not include any interest earned on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these assets are subsequently measured at amortised cost using the effective interest method. Mortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the consolidated statements of comprehensive income. The loss arising from impairment is recognised in the consolidated statements of comprehensive income in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the assets. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

The Group assesses at the end of each of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred).The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, interest-bearing and other bank borrowings and an amount due to a non-controlling shareholder.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of purchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Gains or losses on liabilities held for trading are recognised in the consolidated statements of comprehensive income. The net fair value gain or loss recognised in the consolidated statements of comprehensive income does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risk. These derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The derivative instruments entered into by the Group do not qualify for hedge accounting, and changes in the fair value of these derivative instruments are recognised in the consolidated statements of comprehensive income.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows). Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where nonvesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Employee retirement benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Dividends proposed by the Directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

The financial statements are presented in HK$, which the Company adopted as the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statements of comprehensive income.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. On-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

On consolidation, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group which is HK$ at the exchange rates prevailing at the end of each reporting period and their statements of comprehensive income are translated into HK$ at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statements of comprehensive income.

6. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

Deferred tax liability is recognised for withholding tax levied on dividends declared to foreign investors from the foreign investment enterprise established in Mainland China. Significant management judgement is required to determine the amount of deferred tax liabilities that can be recognised, based upon the likely dividends declared.

6. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end based on changes in circumstances. The carrying amounts of property, plant and equipment at 31 December 2013 and 2012 were HK$222,923,000 and HK201,635,000, respectively. Further details are given in note 17.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value in use of the cash-generating unit to which the asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

7. SEGMENT INFORMATION

For management purposes, the Group operates in one business unit based on its products, and has one reportable operating segment as follows:

The aluminum aerosol cans segment principally engages in the manufacture and sale of aluminum aerosol cans mainly for packaging household chemical products such as medicines, personal care products, air fresheners, insecticides and other chemical products.

No operating segments have been aggregated to form the above reportable operating segment.

Geographical information

(a) Revenue from external customers

	2013 HK$'000	2012 HK$'000
Mainland China	147,622	123,628
United Arab Emirates	51,036	75,279
Nigeria	31,600	26,364
Other overseas countries	30,053	48,652
	260,311	273,923

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2013 HK$'000	2012 HK$'000
Mainland China	238,671	232,583
Hong Kong	1,221	–
	239,892	232,583

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about a major customer

Revenue of approximately and HK$40,246,000 (2012: HK$41,741,000) was derived from sales to a single customer of the Group, including sales to a group of entities which are known to be under common control with that customer.

8. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold after allowances for returns and trade discounts, for the year.

An analysis of revenue, other income and gains is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Revenue		
Sale of goods	**260,311**	273,923
Other income and gains		
Sale of scrap materials	**5,331**	2,687
Bank interest income	**51**	140
Government grants:		
— Related to assets* (note 29)	**269**	256
— Related to income**	**2,086**	443
Fair value gains, net:		
Derivative instruments — transactions not qualifying as hedges	**227**	–
Exchange gains	**2,689**	980
Others	**1,046**	632
	11,699	5,138

* The amount represents the subsidies for the aluminum aerosol cans production line technical renovation program received from the local government. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the consolidated statements of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

** The amount mainly represents rewards or subsidies on interest payments and research compensation received from the local government. There are no unfulfilled conditions or contingencies relating to these grants.

9. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2013 HK$'000	2012 HK$'000
Cost of inventories sold		**163,543**	182,769
Depreciation	17	**17,447**	16,302
Amortisation of prepaid land lease payments	18	**497**	490
Auditors' remuneration		**1,478**	63
Research and development costs		**10,385**	8,564
Minimum lease payments under operating leases		**332**	77
Employee benefit expense (including directors' and chief executive's remuneration (note 11)):			
Wages and salaries		**24,487**	23,518
Pension scheme contributions		**2,483**	1,274
		26,970	24,792
Donation *		**1,000**	12
Fair value gains, net:			
Derivative instruments — transactions not qualifying as hedges **	8	**(227)**	–
Exchange gains, net **	8	**(2,689)**	(980)
Gain on disposal of items of property, plant and equipment **		**(778)**	(43)

* Included in "Other expenses" in the consolidated statements of comprehensive income.

** Included in "Other income and gains" in the consolidated statements of comprehensive income.

10. FINANCE COSTS

	Group 2013 HK$'000	2012 HK$'000
Interest on bank loans wholly repayable within five years	**6,690**	8,154
Interest on finance lease	**19**	–
Less: Interest capitalised	**(773)**	–
	5,936	8,154

11. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

	Group 2013 HK$'000	Group 2012 HK$'000
Fees	**487**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**564**	354
Equity-settled share option expenses	**891**	–
Pension scheme contributions	**15**	–
	1,470	354
Total	**1,957**	354

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Fees HK$'000	Equity-settled share option expenses HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2013					
Mr. Leung Man Fai	80	–	–	–	80
Dr. Lin Tat Pang	80	–	–	–	80
Ms. Guo Yang	80	–	–	–	80
Mr. Chung Yi To	78	–	–	–	78
	318	–	–	–	318
2012					
Mr. Leung Man Fai	–	–	–	–	–
Dr. Lin Tat Pang	–	–	–	–	–
Ms. Guo Yang	–	–	–	–	–
Mr. Chung Yi To	–	–	–	–	–
	–	–	–	–	–

There were no other emoluments payable to the independent non-executive directors during the year.

11. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and a non-executive director

	Fees HK$'000	Equity-settled share option expenses HK$'000	Salaries, allowances and benefits in kind HK$'000	MPF scheme contributions HK$'000	Total remuneration HK$'000
2013					
Executive directors:					
Mr. Lin Wan Tsang	–	–	282	6	288
Ms. Ko Sau Mee	–	–	141	6	147
Mr. Chamlong Wachakorn	–	567	141	3	711
Non-executive director:					
Mr. Kwok Tak Wang	169	324	–	–	493
	169	891	564	15	1,639
2012					
Executive directors:					
Mr. Lin Wan Tsang	–	–	354	–	354
Ms. Ko Sau Mee	–	–	–	–	–
Mr. Chamlong Wachakorn	–	–	–	–	–
	–	–	354	–	354
Non-executive director:					
Mr. Kwok Tak Wang	–	–	–	–	–
	–	–	354	–	354

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included a director (2012: a director), details of whose remuneration are set out in note 11 above. Details of the remuneration for the year of the remaining four (2012: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,058**	735
Equity-settled share option expenses	**648**	–
Pension scheme contributions	**52**	48
	1,758	783

The number of these non-director highest paid employees whose remuneration fell within the following band is as follows:

	2013	2012
Nil to HK$500,000	**4**	4

During the year, share options were granted to four non-director highest paid employee in respect of their services to the Group, further details of which are included in the disclosures in note 32 to the financial statements. The fair value of these options, which has been recognised in the profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director highest paid employees' remuneration disclosures.

13. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

During the year, no Hong Kong profits tax has been provided as there was no assessable profit arising in Hong Kong. The Company and its subsidiary incorporated in the BVI are exempted from taxation.

Pursuant to the PRC Income Tax Law and the respective regulations, the company which operate in Mainland China is subject to Corporate Income Tax ("CIT") at a rate of 25% on the taxable income. Preferential tax treatment is available to the Group's principal operating subsidiary, Euro Asia Packaging (Guangdong) Co., Ltd. ("Euro Asia Packaging") (廣東歐亞包裝有限公司), since it was recognised as a High and New Technology Enterprise and is entitled to a preferential tax rate of 15% for the year (2012: 15%).

	2013 HK$'000	2012 HK$'000
Group:		
Charge for the year		
Current — Mainland China	**9,307**	8,377
Current — Hong Kong	**–**	54
Deferred (note 30)	**1,274**	2
Total tax charge for the year	**10,581**	8,433

A reconciliation of the income tax expense applicable to profit before tax using the statutory rate for the location in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

Group	**2013 HK$'000**	**2013 %**	2012 HK$'000	2012 %
Profit before tax	**48,636**		49,297	
Tax at the statutory tax rate	**12,159**	**25**	12,324	25
Entities subject to lower statutory income tax rates	**(5,010)**	**(10)**	(4,925)	(10)
Effect of withholding tax on distributable profits of the PRC subsidiary	**1,200**	**3**	–	–
Expenses not deductible for tax	**1,671**	**3**	1,034	2
Tax losses not recognised	**561**	**1**	–	–
Tax charge at the Group's effective tax rate	**10,581**	**22**	8,433	17

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2013 includes a loss of HK$17,453,000 (2012: Nil) which has been dealt with in the financial statements of the Company (note 33).

15. DIVIDENDS

	2013 HK$'000	2012 HK$'000
Proposed final — HK3 cents per ordinary share	12,000	–
Special dividends	–	48,542
	12,000	48,542

The special dividend of HK$48,542,000 was approved and declared by the then owners of Euro Asia Packaging and was settled in 2012.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

16. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share for the year is based on the consolidated profit for the year attributable to the ordinary equity holders of the parent, and on the weighted average number of ordinary shares in issue during the year, and assuming the Capitalisation Issue had been completed on 1 January 2012, as further detailed in note 31 to the financial statements.

The calculation of the diluted earnings per share amounts is based on the consolidated profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

	2013 HK$'000	2012 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	37,343	38,273

	Number of shares	
Shares		
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	347,123,288	300,000,000
Effect of dilution — weighted average number of ordinary shares: Share options	2,788,816	–
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	349,912,104	300,000,000

17. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings HK$'000	Plant and machinery HK$'000	Office and other equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2013						
At 1 January 2013:						
Cost	49,256	202,521	3,083	4,039	601	259,500
Accumulated depreciation	(12,418)	(41,005)	(1,726)	(2,716)	–	(57,865)
Net carrying amount	36,838	161,516	1,357	1,323	601	201,635
At 1 January 2013, net of accumulated depreciation	36,838	161,516	1,357	1,323	601	201,635
Additions	1,522	305	858	2,011	33,473	38,169
Disposals	–	(5,937)	(18)	–	–	(5,955)
Depreciation provided during the year (note 9)	(2,726)	(13,511)	(682)	(528)	–	(17,447)
Transfers	–	18,189	–	–	(18,189)	–
Exchange realignment	1,135	4,787	299	45	255	6,521
At 31 December 2013, net of accumulated depreciation	36,769	165,349	1,814	2,851	16,140	222,923
At 31 December 2013:						
Cost	52,343	220,849	3,963	6,188	16,140	299,483
Accumulated depreciation	(15,574)	(55,500)	(2,149)	(3,337)	–	(76,560)
Net carrying amount	36,769	165,349	1,814	2,851	16,140	222,923

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group	Buildings HK$'000	Plant and machinery HK$'000	Office and other equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2012						
At 1 January 2012:						
Cost	48,506	195,436	2,107	4,813	4,369	255,231
Accumulated depreciation	(10,061)	(28,242)	(1,205)	(3,046)	–	(42,554)
Net carrying amount	38,445	167,194	902	1,767	4,369	212,677
At 1 January 2012, net of accumulated depreciation	38,445	167,194	902	1,767	4,369	212,677
Additions	758	2,511	977	282	842	5,370
Disposals	–	–	–	(51)	–	(51)
Depreciation provided during the year (note 9)	(2,356)	(12,769)	(521)	(656)	–	(16,302)
Transfers	–	4,610	–	–	(4,610)	–
Exchange realignment	(9)	(30)	(1)	(19)	–	(59)
At 31 December 2012, net of accumulated depreciation	36,838	161,516	1,357	1,323	601	201,635
At 31 December 2012:						
Cost	49,256	202,521	3,083	4,039	601	259,500
Accumulated depreciation	(12,418)	(41,005)	(1,726)	(2,716)	–	(57,865)
Net carrying amount	36,838	161,516	1,357	1,323	601	201,635

The Group's buildings are located in Mainland China.

The net book value of the Group's fixed assets held under finance leases included in the total amount of plant and machinery amounted to HK$1,196,000 as at 31 December 2013 (2012: Nil).

Certain of the Group's interest-bearing bank borrowings were secured by the Group's buildings with carrying values of HK$27,140,000 as at 31 December 2013 (2012: HK$27,967,000) (note 27).

Certain of the Group's interest-bearing bank borrowings were secured by the Group's plant and machinery with carrying values of HK$108,413,000 (2012: HK$98,616,000) (note 27).

18. PREPAID LAND LEASE PAYMENTS

	Group	
	2013	2012
	HK$'000	HK$'000
Carrying amount at 1 January	**17,434**	17,926
Recognised during the year (note 9)	**(497)**	(490)
Exchange realignment	**537**	(2)
Carrying amount at 31 December	**17,474**	17,434
Current portion included in prepayments, deposits and other receivables	**(505)**	(490)
Non-current portion	**16,969**	16,944

Certain of the Group's interest-bearing bank borrowings were secured by the Group's prepaid land lease payments with carrying values of HK$17,474,000 (2012: HK$17,434,000) as at 31 December 2013 (note 27).

The Group's leasehold land is held under a medium term lease and is situated in Mainland China.

19. INVESTMENTS IN A SUBSIDIARY

	Company	
	2013	2012
	HK$'000	HK$'000
Unlisted, at cost	**–**	–

The cost of investment in a subsidiary was amounted to HK$8 as at 31 December 2013 (2012: HK$8).

The amounts due from subsidiaries included in the Company's current assets of HK$77,249,000 (2012: Nil) are unsecured, interest-free and are repayable on demand.

19. INVESTMENTS IN A SUBSIDIARY *(Continued)*

As at the end of the year, the Company has direct or indirect interests in the following subsidiaries, all of which have substantially similar characteristics to a private company incorporated in Hong Kong, the particulars of which are set out below:

Company name	Place and date of incorporation/ registration and business	Issued capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Euro Asia Investments Global Limited	BVI 3 October 2012	US$1	100	–	Investment holding
Hong Kong Aluminum Cans Limited	Hong Kong 6 September 2012	HK$1	–	100	Investment holding
Euro Asia Packaging (Hong Kong) Co., Limited	Hong Kong 12 November 2013	HK$1,000,000	–	100	Sale of aluminum aerosol cans
Euro Asia Packaging*	Mainland China 27 June 2002	RMB125,000,000	–	98.6	Manufacture and sale of aluminum aerosol cans
European Asia Group Company Limited (歐亞行業集團有限公司)	Hong Kong 2 April 2005	HK$1,500,000	–	98.6	Sale of aluminum aerosol cans

* Non-wholly-owned foreign enterprises under PRC law.

20. INVENTORIES

	Group	
	2013 HK$'000	2012 HK$'000
Raw materials	**14,922**	11,877
Finished goods	**12,354**	13,585
	27,276	25,462

21. TRADE AND BILLS RECEIVABLE

	Group	
	2013	2012
	HK$'000	HK$'000
Trade receivables	**33,590**	21,202
Bills receivable	**20,298**	17,939
	53,888	39,141

The Group requires most of its customers to make payment in advance, however, the Group grants certain credit periods to those customers with good payment history. The credit period for specific customers is considered on a case-by-case basis and set out in the sales contracts, as appropriate.

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade receivables are non-interest-bearing, and the carrying amounts of the trade and bills receivable approximate to their fair values.

An aged analysis of the trade receivables as at the end of each reporting period, based on the invoice date, is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within 30 days	**17,223**	15,738
31 to 60 days	**10,135**	4,085
61 to 90 days	**2,020**	300
Over 90 days	**4,212**	1,079
	33,590	21,202

21. TRADE AND BILLS RECEIVABLE *(Continued)*

An aged analysis of the trade receivables, based on the credit term, that are not individually nor collectively considered to be impaired, is as follows:

Group	Total	Neither past due nor impaired	Past due but not impaired <60 days	Past due but not impaired Over 60 days
	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2013	33,590	27,358	2,020	4,212
31 December 2012	21,202	19,823	1,205	174

The trade receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

The trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

None of the Group's interest-bearing bank borrowings were secured by the Group's trade receivables as at 31 December 2013 (2012: HK$18,992,000) (note 27).

Included in the trade receivables were amounts of nil and HK$1,056,000 as at 31 December 2012 and 2013 due from related parties, which are controlled by the Company's ultimate controlling shareholder, have credit term of 60 days.

21. TRADE AND BILLS RECEIVABLE *(Continued)*

Transfers of financial assets

Financial assets not derecognised

As at 31 December 2012, certain of the Group's financial assets were transferred to banks or suppliers by discounting or endorsing those bills receivable on a full recourse basis. In the opinion of the Directors, as the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the bills receivable and has recognised the cash received on the transfer as a secured borrowing (see note 27). These financial assets are carried at amortised cost in the Group's consolidated statements of financial position as follows:

31 December 2013

Group	**Bills receivable discounted to banks with full recourse HK$'000**	**Bills receivable endorsed to suppliers with full recourse HK$'000**	**Total HK$'000**
Carrying amount of transferred assets	–	–	–
Carrying amount of associated liabilities	–	–	–
Net position	–	–	–

31 December 2012

Group	Bills receivable discounted to banks with full recourse HK$'000	Bills receivable endorsed to suppliers with full recourse HK$'000	Total HK$'000
Carrying amount of transferred assets	740	–	740
Carrying amount of associated liabilities	(740)	–	(740)
Net position	–	–	–

21. TRADE AND BILLS RECEIVABLE *(Continued)*

Transfers of financial assets *(Continued)*

Financial assets derecognised

At 31 December 2013 and 2012, the Group also endorsed or discounted certain bills receivable accepted by banks in the PRC (the "Derecognised Bills"), to certain of its suppliers or banks in order to settle the trade payables due to such suppliers (the "Endorsement") with a carrying amount in aggregate of nil and HK$11,863,000, respectively. The Derecognised Bills have a maturity from three to six months at the end of each reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

A maturity analysis of undiscounted cash outflows for the Derecognised Bills was set out below:

31 December 2013

Group	**Total HK$'000**	**Less than 1 month HK$'000**	**2-3 months HK$'000**	**4-6 months HK$'000**
Bills receivable	–	–	–	–

31 December 2012

Group	Total HK$'000	Less than 1 month HK$'000	2-3 months HK$'000	4-6 months HK$'000
Bills receivable	11,863	821	9,057	1,985

During the year, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The Endorsement has been made evenly throughout the year.

22. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2013	2012
	HK$'000	HK$'000
Forward currency contracts	**231**	–

The Group has entered into various contracts to manage its exchange rate exposure which did not meet the criteria for hedge accounting. Net changes in the fair value amounting to HK$231,000 (2012: Nil) were recognised in the consolidated statement of comprehensive income during the year.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current prepayments	**–**	14,004	**–**	–
Current assets				
Prepayments	**5,069**	4,000	**70**	–
Tax recoverable	**2,202**	–	**–**	–
Deposits and other receivables	**8,672**	2,870	**–**	–
	15,943	6,870	**70**	–

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Cash and bank balances	110,243	5,360	298	–
Less: Pledged deposits Pledged for bank loans	(2,871)	(2,980)	–	–
Cash and cash equivalents	107,372	2,380	298	–
Cash and bank balances denominated in				
— Renminbi ("RMB")	56,081	1,595	–	–
— United States dollars ("US$")	6,475	613	61	–
— HK$	44,816	–	237	–
— Other currencies	–	172	–	–
Cash and cash equivalents	107,372	2,380	298	–

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks' authorisation to conduct foreign exchange business.

Pledged bank deposits represented balances pledged to banks for the Group's bank loans.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

25. TRADE PAYABLES

An aged analysis of the trade payables as at the end of each reporting period, based on the invoice date, is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within 30 days	**6,303**	3,096
31 to 60 days	**45**	380
61 to 90 days	**1,027**	834
Over 90 days	**130**	534
	7,505	4,844

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 60 days. The carrying amounts of the trade payables approximate to their fair values.

26. OTHER PAYABLES AND ACCRUALS

	Group	
	2013	2012
	HK$'000	HK$'000
Deposits received from customers	**11,593**	12,745
Salary and welfare payables	**3,183**	4,166
Tax payables other than current income tax liabilities	**1,033**	1,233
Other payables and accruals	**2,872**	2,640
	18,681	20,784

The salary and welfare payables are non-interest-bearing and are payable on demand. The other payables and accruals are non-interest-bearing and are due to mature within one year.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	2013			2012		
	Contractual interest rate (%)	Maturity	HK$'000	Contractual interest rate (%)	Maturity	HK$'000
Current						
Finance lease payables (note 28)	4.11%	2014	226	–	–	–
Interest-bearing bank loans — secured	SIBOR	2014	31,018	SIBOR+2.5%/2.3%/6.4%	2013	50,819
Current portion of long term bank loans — secured	SIBOR+2.5%/ PBOC base rate/ PBOC base rate*1.05/ PBOC base rate*1.1	2014	33,655	SIBOR+2.5%	2013	5,434
			64,899			56,253
Non-current						
Finance lease payables (note 28)	4.11%	2015–2018	852	–	–	–
Long term interest-bearing bank loans — secured	PBOC base rate	2015–2016	20,812	SIBOR+2.5%	2014	2,711
Long term interest-bearing bank loans — secured	SIBOR+2.5%	2015–2016	6,207	PBOC base rate *0.9	2014	12,333
Long term interest-bearing bank loans — secured	PBOC base rate*1.1	2015–2016	862	PBOC base rate	2014–2016	30,269
Long term interest-bearing bank loans — secured	PBOC base rate*1.05	2015	4,006	SIBOR+2.5%	2014–2016	9,152
Long term interest-bearing bank loans — secured	PBOC base rate	2015–2017	9,645	–	–	–
			42,384			54,465
			107,283			110,718

Notes:

"PBOC" stands for the People's Bank of China (中國人民銀行), the central bank of China.

"SIBOR" stands for Singapore Interbank Offered Rate.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	Group 2013 HK$'000	Group 2012 HK$'000
Repayable:		
Within one year or on demand	**64,899**	56,253
In the second year	**22,039**	22,547
In the third to fifth years, inclusive	**20,345**	31,918
	107,283	110,718

The above secured bank loans were secured by certain of the Group's assets and their carrying values are as follows:

	Notes	Group 2013 HK$'000	Group 2012 HK$'000
Property, plant and equipment	17	**135,553**	126,583
Prepaid land lease payments	18	**17,474**	17,434
Trade receivables	21	**–**	18,992
Bills receivable	21	**–**	740
Pledged deposits	24	**2,871**	2,980
		155,898	166,729

The Group's banking loans amounting to HK$87,126,000 (2012: HK$97,644,000) as at 31 December 2013 were guaranteed by Mr. Lin Wan Tsang, the ultimate controlling shareholder of the Group (note 37).

	Group 2013 HK$'000	Group 2012 HK$'000
Interest-bearing bank and other borrowings denominated in		
— RMB	**63,163**	43,341
— US$	**43,042**	67,377
— HK$	**1,078**	–
	107,283	110,718

27. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

The Group has the following undrawn banking facilities:

	Group	
	2013 **HK$'000**	2012 HK$'000
Floating rate		
— expiring within one year	**39,938**	99,680
— expiring over one year	**43,735**	52,364
	83,673	152,044

The Group's banking facilities amounting to HK$136,484,000 (2012: HK$171,992,000) as at 31 December 2013 were guaranteed by Mr. Lin Wan Tsang, the ultimate controlling shareholder of the Group (note 37). Prior to listing, the Group has obtained confirmations from the PRC branch of the relevant bank granting these facilities for the replacement of the Guarantees by the corporate guarantee of the Company upon successful listing of the Company's shares. As at the date of this report, the Company is in the progress of completion of formalities with the bank.

28. OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain of its motor vehicle for its business operation. The lease is classified as a finance lease and has a remaining lease term of 4.5 years.

Group	**Minimum lease payments 2013 HK$'000**	Minimum lease payments 2012 HK$'000	**Present value of minimum lease payments 2013 HK$'000**	Present value of minimum lease payments 2012 HK$'000
Amounts payable:				
Within one year	**258**	–	**253**	–
In the second year	**258**	–	**245**	–
In the third to fifth years, inclusive	**644**	–	**580**	–
Total minimum finance lease payments	**1,160**	–	**1,078**	–
Future finance charges	**(82)**	–		
Total net finance lease payables	**1,078**	–		
Portion classified as current liabilities (note 27)	**(226)**	–		
Non-current portion (note 27)	**852**	–		

29. DEFERRED INCOME

	Group	
	2013 **HK$'000**	2012 HK$'000
At 1 January	**3,908**	3,919
Grants recognised	**–**	247
Amortised as income (note 8)	**(269)**	(256)
Exchange realignment	**117**	(2)
At 31 December	**3,756**	3,908
Current portion	**(273)**	(265)
Non-current portion	**3,483**	3,643

30. DEFERRED TAX

Deferred tax assets

Deferred tax assets have been recognised in respect of temporary differences between the carrying amounts and tax bases of government grants.

The movements in deferred tax assets are as follows:

Group	**Government grants** HK$'000
At 1 January 2012	588
Charged to the consolidated statement of comprehensive income	(2)
Exchange realignment	–
At 31 December 2012 and 1 January 2013	586
Charged to the consolidated statement of comprehensive income	(40)
Exchange realignment	18
At 31 December 2013	564

The Group has tax losses arising in Hong Kong of HK$3,401,000 (2012: Nil) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

30. DEFERRED TAX *(Continued)*

Deferred tax liabilities

The movements in deferred tax liabilities are as follows:

Group	Withholding taxes HK$'000	Fair value gains HK$'000	Total HK$'000
At 1 January 2012	–	–	–
Charged to the consolidated statement of comprehensive income	–	–	–
Exchange realignment	–	–	–
At 31 December 2012 and 1 January 2013	–	–	–
Charged to the consolidated statement of comprehensive income	1,200	34	1,234
Exchange realignment	–	1	1
At 31 December 2013	1,200	35	1,235

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%.The Group is therefore liable for withholding taxes on dividends distributed by the subsidiary established in Mainland China in respect of earnings generated from 1 January 2008.

Prior to the completion of the Reorganisation, European Asia Industrial Limited is the holding company of Euro Asia Packaging and is therefore liable to withholding tax on dividends distributed by Euro Asia Packaging. For all the profits distributed to European Asia Industrial Limited before the completion of the Reorganisation, no deferred tax liability has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiary established in Mainland China, as Euro Asia Packaging has withheld and paid the withholding tax for dividends remitted to European Asia Industrial Limited.

At 31 December 2013, the Group has not recognised deferred tax liabilities of HK$5,988,000 in respect of temporary differences relating to the unremitted profits of the Group's subsidiary established in the PRC, amounting to HK$59,884,000, that would be payable on the distribution of these profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

31. ISSUED CAPITAL

The following changes in the Company's authorised and issued share capital took place during the period from 12 September 2012 (date of incorporation) to 31 December 2013.

	Notes	Number of ordinary shares of HK$0.01	Nominal value of ordinary shares HK$
Authorised:			
On incorporation	(a)	39,000,000	390,000
Increase in authorised share capital on 20 June 2013	(b)	741,000,000	7,410,000
As at 31 December 2013		780,000,000	7,800,000
Issued and fully paid:			
On incorporation	(a)	1	–
Capitalisation Issue credited as fully paid conditional on the share premium account of the Company, being credited as a result of the issuance of new shares to the public	(c)	299,999,999	3,000,000
Issuance of new shares on 12 July 2013	(d)	100,000,000	1,000,000
As at 31 December 2013		400,000,000	4,000,000

(a) The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 12 September 2012 with an authorised share capital of HK$390,000 divided into 39,000,000 shares of HK$0.01 each, of which 1 share was issued and allotted fully paid to Reid Services Limited at par, and was transferred to Wellmass International Limited on 21 September 2012 at par.

(b) Pursuant to the written resolutions of the sole shareholder passed on 20 June 2013, the authorised share capital of the Company was increased from HK$390,000 to HK$7,800,000 by the creation of an additional of 741,000,000 shares of HK$0.01 each.

(c) Pursuant to the written resolutions of the sole shareholder passed on 20 June 2013, conditional on the share premium account of the Company being credited as a result of the Share Offer as defined in the Prospectus dated 28 June 2013, upon the recommendation of the Directors, the sum of HK$2,999,999.99, being part of the amount which would then be standing to the credit of the share premium account of the Company be capitalised and applied in paying up in full 299,999,999 shares to be allotted credited as fully paid at par to Wellmass International Limited (the "Capitalisation Issue").

(d) In connection with the Company's initial public offering, 100,000,000 shares of HK$0.01 each were issued at a price of HK$1.00 per share for a total cash consideration, before expenses, of approximately HK$100,000,000. Dealings in these shares on the Hong Kong Stock Exchange commenced on 13 July 2012.

32. SHARE OPTION SCHEMES

The Company adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and a share option scheme (the "Share Option Scheme"), approved by the written resolutions of the shareholders passed on 20 June 2013 (the "Resolutions").

Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to recognise and motivate the contributions that certain executive and non-executive Directors, members of the senior management and other employees have made or may make to the Group. The principal terms of the Pre-IPO Share Option Scheme, approved by the Resolutions, are substantially the same as the terms of the Share Option Scheme except that:

(a) the subscription price per share under the Pre-IPO Share Option Scheme is HK$0.7;

(b) the total number of shares which may be issued upon the exercise of all share options granted under the Pre-IPO Share Option Scheme is 17,490,000 shares, representing approximately 4.19% of the total issued share capital of the Company immediately after the completion of IPO and the capitalisation issue (assuming that the over-allotment option is not exercised);

(c) save for the share options which have been granted, no further share options will be granted under the Pre-IPO Share Option Scheme on or after the Listing Date; and

All the share options under the Pre-IPO Share Option Scheme were granted on 20 June 2013 at a consideration of HK$1 paid by each participant.

The share options granted under the Pre-IPO Share Options Scheme are subject to the following vesting and exercise period:

(1) 30% of the share options shall become vested and exercisable on the 1st anniversary date of the Listing Date (the "1st Vesting Date"), and the exercise period in respect thereof shall commence on the 1st Vesting Date and end on the day immediately before the 10th anniversary date of the offer date (the "Expiration Date") (both dates inclusive).

(2) 30% of the share options shall become vested and exercisable on the 2nd anniversary date of the Listing Date (the "2nd Vesting Date"), and the exercise period in respect thereof shall commence on the 2nd Vesting Date and end on the Expiration Date (both dates inclusive).

(3) 40% of the share options shall become vested and exercisable on the 3rd anniversary date of the Listing Date (the "3rd Vesting Date"), and the exercise period in respect thereof shall commence on the 3rd Vesting Date and end on the Expiration Date (both dates inclusive).

Share options under the Pre-IPO Share Option Scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings.

32. SHARE OPTION SCHEMES *(Continued)*

Pre-IPO Share Option Scheme *(Continued)*

A summary of share option movements during the year is presented below:

	Year ended 31 December 2013 Weighted average exercise price HK$ per share	Number of share options
At beginning of year	–	–
Granted	0.7	17,490,000
At the end of year	0.7	17,490,000

The fair value of the share options under the Pre-IPO Share Option Scheme granted was estimated at approximately HK$9,327,000 of which the Group recognised a share option expense of HK$2,811,000 during the year ended 31 December 2013 (2012: Nil).

The fair value of the share options under the Pre-IPO Share Option Scheme granted was estimated as at the date of grant, using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

	First batch	Second batch	Third batch
Dividend yield (%)	–	–	–
Expected volatility (%)	44.81%	44.81%	44.81%
Risk-free interest rate (%)	1.883%	1.883%	1.883%
Expected life of options (year)	10	10	10
Weighted average share price (HK$ per share)	0.7	0.7	0.7

The expected life of the share options is not necessarily indicative of the exercise patterns that may occur. The expected volatility may not necessarily reflect the actual outcome.

No other feature of the share options granted was incorporated into the measurement of fair value.

No share option was exercised during the year. As at 31 December 2013, the Company had 17,490,000 share options outstanding under the Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 17,490,000 additional ordinary shares of the Company and additional share capital of HK$174,900 and share premium of HK$12,068,100 (before issue expenses).

At the date of approval of these financial statements, the Company had 17,490,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 4.37% of the Company's shares in issue as at that date.

32. SHARE OPTION SCHEMES *(Continued)*

Share Option Scheme

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of: (a) motivate the Eligible Participants to optimise their performance and efficiency for the benefit of the Group; and (b) attract and retain or otherwise maintain ongoing business relationships with the Eligible Participants whose contributions are, will or expected to be beneficial to the Group.

The board of Directors (the "Board") may at its discretion grant options to eligible participants ("Eligible Participants"):

(i) any Eligible Employees. "Eligible Employees" means employees (whether full time or part time, including any executive Director but excluding any non-executive Director) of the Company, any subsidiary or any entity in which the Group holds at least 20% of its issued share capital ("Invested Entity");

(ii) any non-executive Directors (including independent non-executive Directors) of the Company, any subsidiary or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of any member of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vii) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity;

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and

(ix) for the purposes of the Share Option Scheme, share options may be granted to any company wholly owned by one or more Eligible Participants.

The Share Option Scheme became effective on 20 June 2013 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares to be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share options granted and yet to be exercised under any other scheme of the Company shall not, in aggregate, exceed 10% of the total number of shares in issue on the Listing Date, i.e., 40,000,000 shares, and 30% of the shares of the Company in issue from time to time. The maximum number of shares issuable under share options to any Eligible Participant in the Share Option Scheme within any 12-month period up to and including the date of the grant is limited to 1% in aggregate of the shares of the Company in issue at the date of the grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

32. SHARE OPTION SCHEMES *(Continued)*

Share Option Scheme *(Continued)*

Share options granted to a director, chief executive or a substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors, excluding the independent non-executive director who or whose associates are the grantee. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5,000,000, within any 12-month period up to and including the date of the grant, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of grant of the share options.

The exercise price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the exercise price shall be at least the highest of: (a) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the offer date, which must be a business day; (b) the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (c) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

As at 31 December 2013 and the date of approval of these financial statements, no share option was granted and outstanding under the Share Option Scheme.

33. RESERVES

Group

(i) The merger reserve of the Group represents the difference between the nominal value of shares and contributed surplus of the subsidiaries acquired pursuant to the Reorganisation completed on 15 March 2013 and the nominal value of the ordinary shares of a subsidiary of the Company in exchange therefore.

(ii) In accordance with the PRC Company Law, the PRC subsidiary of the Group is required to allocate 10% of their profit after tax to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of the registered capital of the PRC subsidiary. Subject to certain restrictions set out in the PRC Company Law, part of the SSR may be converted to increase paid-up capital/issued capital of the PRC subsidiary, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital. The SSR of the PRC subsidiary attributable to the parent were HK$16,570,000 and HK$21,623,000 as at 31 December 2012 and 2013, respectively.

33. RESERVES *(Continued)*

Company

	Share premium account HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Proposed final dividends HK$'000	Total HK$'000
As at 12 September 2012 (date of incorporation) and 31 December 2012 and 1 January 2013	–	–	–	–	–
Total comprehensive loss for the year	–	–	(17,453)	–	(17,453)
Issue of shares for IPO	99,000	–	–	–	99,000
Capitalisation issue	(3,000)	–	–	–	(3,000)
Share issue expenses	(7,746)	–	–	–	(7,746)
Equity-settled share option arrangements	–	2,811	–	–	2,811
Proposed final 2013 dividend	(12,000)	–	–	12,000	–
As at 31 December 2013	76,254	2,811	(17,453)	12,000	73,612

Pursuant to the Companies Law (2001 Second Revision) of the Cayman Islands, the share premium account and the contributed surplus are distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 5 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

34. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its staff quarters and office premises under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2013 HK$'000	2012 HK$'000
Within one year	**282**	157
In the second to third years, inclusive	**242**	192
	524	349

35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34 above, the Group had the following capital commitments as at 31 December 2013:

	2013 HK$'000	2012 HK$'000
Contracted, but not provided for:		
Plant and machinery	4	241

36. CONTINGENT LIABILITIES

The Group had no significant contingent liability as at 31 December 2013 and 2012.

37. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

(1) Recurring transactions

	Notes	2013 HK$'000	2012 HK$'000
Sales of products to:			
Guangzhou Botny Chemical Co., Ltd. (廣州保賜利化工有限公司) ("Botny Chemical")	(i)&(ii)	3,882	385
Euro Asia Aerosol and Household Products Manufacture Co., Ltd. (廣州歐亞氣霧劑與日化用品製造有限公司) ("Euro Asia Aerosol")	(i)&(ii)	1,658	1,560
		5,540	1,945

	Notes	2013 HK$'000	2012 HK$'000
Operating lease rental expenses charged by:			
Mr. Lin Wan Tsang *	(iii)	96	–

* The director and ultimate controlling shareholder of the Company

(i) Botny Chemical and Euro Asia Aerosol are companies which are owned and controlled by Mr. Lin Wan Tsang.

(ii) The sales to Botny Chemical and Euro Asia Aerosol were made at prices and on conditions as mutually agreed.

(iii) The operating lease rental expenses charged by Mr. Lin Wan Tsang were determined based on the underlying contracts as agreed between the Group and Mr. Lin Wan Tsang.

37. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(2) Non-recurring transactions

	2013 HK$'000	2012 HK$'000
Bank loans guaranteed by:		
Mr. Lin Wan Tsang *	**87,126**	97,644

Mr. Lin Wan Tsang has guaranteed certain banking facilities to the Group of HK$136,484,000 (2012: HK$171,992,000) as at 31 December 2013, as further detailed in note 27 to the financial statements. Prior to listing, the Group has obtained confirmations from the PRC branch of the relevant bank granting these facilities for the replacement of the Guarantees by the corporate guarantee of the Company upon successful listing of the Company's shares. As at the date of this report, the Company is in the progress of completion of formalities with the bank.

(3) Commitments with related parties

On 31 December 2012, a subsidiary of the Group entered into a three-year agreement ending 31 December 2015 with Mr. Lin Wan Tsang to rent an office for the Group's operation in Hong Kong. The Group expects an annual rental of HK$96,000 for the two years ending 31 December 2014 and 2015, respectively.

(4) Compensation of key management personnel of the Group, including directors' remuneration as detailed in note 11 above.

	2013 HK$'000	2012 HK$'000
Fees	**487**	–
Salaries, allowances and benefits in kind	**1,698**	1,328
Equity-settled share option expenses	**1,863**	–
Pension scheme contributions	**105**	68
Total compensation paid to key management personnel	**4,153**	1,396

The related party transactions in respect of item 1 and 2 above also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

Group	**2013**			2012		
Financial assets	**Loans and receivables HK$'000**	**Financial assets at fair value through profit or loss HK$'000**	**Total HK$'000**	Loans and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
Trade and bills receivable	**53,888**	**–**	**53,888**	39,141	–	39,141
Financial assets included deposits and other receivables	**8,672**	**–**	**8,672**	2,870	–	2,870
Derivative financial instruments	**–**	**231**	**231**	–	–	–
Pledged deposits	**2,871**	**–**	**2,871**	2,980	–	2,980
Cash and cash equivalents	**107,372**	**–**	**107,372**	2,380	–	2,380
	172,803	**231**	**173,034**	47,371	–	47,371

38. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Company	
Financial assets — loans and receivables	**2013** **HK$'000**	2012 HK$'000
Amounts due from subsidiaries	**77,249**	–
Cash and cash equivalents	**298**	–
	77,547	–

	Group	
Financial liabilities at amortised cost	**2013** **HK$'000**	2012 HK$'000
Trade payables	**7,505**	4,844
Financial liabilities included in other payables and accruals	**6,055**	6,806
Interest-bearing bank and other borrowings	**107,283**	110,718
	120,843	122,368

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

At 31 December 2013 and 31 December 2012, the fair values of the Group's financial assets and financial liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits, trade and bills receivable, derivative financial instruments, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals, and interest-bearing bank and other borrowings approximate to their respective carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group enters into derivative financial instruments with a bank, a financial institution with AAA credit ratings. Derivative financial instruments, including forward currency contracts, are measured using valuation techniques similar to forward pricing models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates. The carrying amounts of forward currency contracts are the same as their fair values.

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2013

Group	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instruments	–	231	–	231

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2012: Nil).

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank and other borrowings, amounts due from a related party and due to a non-controlling shareholder, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, bills receivable, other receivables, trade payables, and other payables, which arise directly from its operations.

The Group also enters into derivative transactions, including forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

The contractual interest rates and terms of repayment of the interest-bearing bank and other borrowings of the Group are set out in note 27 above.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

The following table demonstrates the sensitivity to a reasonably possible change in PBOC and SIBOR, with all other variables held constant, of the Group's profit before tax (through the impact of floating rate borrowings) during the year.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
As at 31 December 2013		
PBOC	**0.25%**	**(158)**
SIBOR	**0.25%**	**(108)**
PBOC	**–0.25%**	**158**
SIBOR	**–0.25%**	**108**
As at 31 December 2012		
PBOC	0.25%	(107)
SIBOR	0.25%	(91)
PBOC	–0.25%	107
SIBOR	–0.25%	91

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales in currencies other than the units' functional currencies. Approximately 43% and 55% of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 79% and 95% of inventory costs were denominated in the units' functional currencies for the years ended 31 December 2013 and 2012, respectively. The Group uses forward currency contracts to manage currency risk.

The following table demonstrates the sensitivity at the end of each reporting period to a reasonably possible change in the US$ exchange rate and HK$ exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in US$ rate %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
As at 31 December 2013			
If RMB weakens against US$	**5**	**(1,598)**	**–**
If RMB strengthens against US$	**(5)**	**1,598**	**–**
If RMB weakens against HK$	**5**	**–**	**(14,113)**
If RMB strengthens against HK$	**(5)**	**–**	**14,113**
As at 31 December 2012			
If RMB weakens against US$	5	(1,476)	–
If RMB strengthens against US$	(5)	1,476	–
If RMB weakens against HK$	5	–	(8,015)
If RMB strengthens against HK$	(5)	–	8,015

* Excluding retained profits

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents, pledged deposits, and financial assets included in prepayments, deposits and other receivables arise from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. The Group had certain concentrations of credit risk as 30% and 42% of the Group's trade and bills receivable were due from the Group's certain customers with the top five balances as at 31 December 2013 and 2012, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents and have available funding through capital contribution and financial support from related parties and bank borrowings.

The maturity profile of financial liabilities as at 31 December 2013 and 2012, based on the contractual undiscounted payments, was as follows:

	As at 31 December 2013			
	On demand HK$'000	**Less than 1 year HK$'000**	**Over 1 year HK$'000**	**Total HK$'000**
Trade payables	**–**	**7,505**	**–**	**7,505**
Financial liabilities included in other payables and accruals	**3,183**	**2,872**	**–**	**6,055**
Interest-bearing bank and other borrowings	**–**	**69,861**	**45,365**	**115,226**
	3,183	**80,238**	**45,365**	**128,786**

	As at 31 December 2012			
	On demand HK$'000	Less than 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
Trade payables	–	4,844	–	4,844
Financial liabilities included in other payables and accruals	4,166	2,640	–	6,806
Interest-bearing bank and other borrowings	–	59,581	58,515	118,096
	4,166	67,065	58,515	129,746

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated as interest-bearing bank borrowings, trade payables, financial liabilities included in other payables and accruals and amount due to a non-controlling shareholder less cash and cash equivalents and pledged deposits. Capital represents equity attributable to owners of the parent. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of each reporting period are as follows:

	Group	
	2013 **HK$'000**	2012 HK$'000
Interest-bearing bank borrowings	**107,283**	110,718
Trade payables	**7,505**	4,844
Financial liabilities included in other payables and accruals	**6,055**	6,806
Less: Cash and cash equivalents and pledged deposits	**(110,243)**	(5,360)
Net debt	**10,600**	117,008
Equity attributable to owners of the parent	**299,315**	161,328
Capital and net debt	**309,915**	278,336
Gearing ratio	**3%**	42%

41. EVENTS AFTER THE REPORTING PERIOD

The following significant events after the reporting period took place subsequent to 31 December 2013:

On 17 March 2014, the board of directors of the Company declared a cash dividend of HK$12,000,000.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 17 March 2014.

Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years is as follows.

RESULTS

	Year ended 31 December			
	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**260,311**	273,923	237,124	198,264
Profit before tax	**48,636**	49,297	36,177	32,951
Income tax expense	**(10,581)**	(8,433)	(6,114)	(5,733)
Profit for the year	**38,055**	40,864	30,063	27,218
Profit attributable to:				
Owners of the Company	**37,343**	38,273	25,129	22,232
Non-controlling interests	**712**	2,591	4,934	4,986
	38,055	40,864	30,063	27,218

ASSETS AND LIABILITIES

	As at 31 December			
	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**448,037**	310,002	353,017	326,143
Total liabilities	**145,094**	146,433	181,071	169,641
	302,943	163,569	171,946	156,502
Equity				
Equity attributable to owners of the Company	**299,315**	161,328	150,281	127,835
Non-controlling interests	**3,628**	2,241	21,665	28,667
	302,943	163,569	171,946	156,502

Financial Summary

Notes:

The summary of the consolidated results of the Group for each of the three years ended 31 December 2012 and of the assets and liabilities as at 31 December 2010, 2011 and 2012 have been extracted from the Prospectus. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years.

The financial information for the year ended 31 December 2009 was not disclosed as consolidated financial statements for the Group have not been prepared for that year. The summary above does not form part of the audited financial statements.