



2017 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

China Aluminum Cans Holdings Limited

CONTENTS

2017
Annual Report

02	Corporate Information
04	Chairman's Statement
05	Management Discussion and Analysis
10	Corporate Governance Report
23	Environmental, Social and Governance Report
29	Biographical Details of Directors and Senior Management
33	Directors' Report
45	Independent Auditor's Report
50	Consolidated Statement of Profit or Loss and Other Comprehensive Income
51	Consolidated Statement of Financial Position
53	Consolidated Statement of Changes in Equity
55	Consolidated Statement of Cash Flows
57	Notes to Financial Statements
115	Financial Summary

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lin Wan Tsang (*Chairman*)

Mr. Dong Jiangxiong

Ms. Ko Sau Mee

Mr. Lin Hing Lung

Non-executive Director

Mr. Kwok Tak Wang

Independent Non-executive Directors

Dr. Lin Tat Pang

Ms. Guo Yang

Mr. Chung Yi To

Mr. Yip Wai Man Raymond

COMMITTEES OF THE BOARD

Audit Committee

Mr. Yip Wai Man Raymond (*Chairman*)

Dr. Lin Tat Pang

Ms. Guo Yang

Mr. Chung Yi To

Remuneration Committee

Ms. Guo Yang (*Chairman*)

Mr. Lin Wan Tsang

Mr. Kwok Tak Wang

Dr. Lin Tat Pang

Mr. Chung Yi To

Mr. Yip Wai Man Raymond

Nomination Committee

Dr. Lin Tat Pang (*Chairman*)

Mr. Lin Wan Tsang

Mr. Kwok Tak Wang

Ms. Guo Yang

Mr. Chung Yi To

Mr. Yip Wai Man Raymond

Risk Management Committee

Mr. Chung Yi To (*Chairman*)

Mr. Kwok Tak Wang

Dr. Lin Tat Pang

Mr. Yip Wai Man Raymond

AUTHORIZED REPRESENTATIVES

Mr. Lin Wan Tsang

Ms. Ho Wing Yan

COMPANY SECRETARY

Ms. Ho Wing Yan

REGISTERED OFFICE

Clifton House

75 Fort Street

P.O. Box 1350

Grand Cayman

KY1-1108

Cayman Islands

HEADQUARTER OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

No. 5 Ya Bo Nan Road

National Health Technology Park of Zhongshan

Torch Development Zone

Zhongshan City

Guangdong Province

People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit G, 20/F., Golden Sun Centre

Nos. 59/67 Bonham Strand West

Sheung Wan

Hong Kong

AUDITOR

Ernst & Young

22/F, CITIC Tower

1 Tim Mei Avenue

Central

Hong Kong

CAYMAN ISLANDS PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
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
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.6898hk.com

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of China Aluminum Cans Holdings Limited (the "Company"), I am pleased to present to the shareholders the annual report and audited consolidated financial statements of the Company together with its subsidiaries (collectively, the "Group") for the year ended 31 December 2017 (the "Reporting Period").

RESULTS

During the Reporting Period, the Group's total turnover was approximately HK\$701.8 million, representing a slight increase by approximately 0.8% compared to that of last year (2016: HK\$696.3 million) while the Group's profit for the year amounted to approximately HK\$67.1 million, decreased by approximately 29.6% compared to the prior year (2016: HK\$95.3 million).

DIVIDEND

The Board has resolved to recommend a final dividend of HK1.07 cents per share for the Reporting Period (2016: HK1.5 cents per share).

OPERATING ENVIRONMENT AND PROSPECTS

2017 was a challenging yet dynamic year. The global economy was impacted by political factors and austerity and quantitative easing policies, as well as the downturn of the People's Republic of China (the "PRC") economy. The aerosol and aluminum can packaging industry, in which the Group operates in, faced a sluggish growth in downstream demand and increasingly intense peer competition. Generally, it was in transit from rapid growth to a phase of steady growth. As the PRC economy entered the new normal state of development, car ownership grew robustly, demand for personal care products increased and urbanization accelerated, driving the aerosol product consumption constantly. Under the Belt and Road Initiative of the State, countries and regions connected thereto have a higher per capita consumption of aerosol, creating ample opportunities to the aerosol industry in the PRC and bringing key strategic opportunities for the development of the Group.

In order to diversify the existing business portfolio and broaden its source of income, the Group acquired the 70% equity interest in a content filling company which is principally engaged in the production and sales of aerosol cans for cosmetic products on 30 November 2017. The acquisition was approved by the independent shareholders of the Company on 10 January 2018. We believe the acquisition can improve the Group's profitability and enhance our combined market share, which is beneficial to the shareholders of the Company.

Looking ahead, amid the sophisticated and changing market environment and increasingly intense competition in the industry, the Group will continue to: (i) closely monitor the customer demands, actively launch the technological upgrade, focus more on technological research and development (the "R&D"), develop products with high demand and added-values and promote the technology for environmental-friendly aerosol products; (ii) put more effort in market expansion, consolidate and enhance the current market position of our aluminum aerosol cans, strategically develop the packaging of aluminum cups and bottles and explore new customers of beverage and healthcare products; (iii) enhance the owned brand of "BOTNY" penetration in the PRC and develop the brand in the Asia-Pacific region, in order to further explore the international market; (iv) pursue the customer-centered and market-oriented approaches to generally enhance the customer experience and serve the customers successfully with products and services of higher quality; and (v) actively assume the role of corporate social responsibility, strengthen the overall control, enhance the product safety of pharmaceuticals, food and cosmetics, push forward the standardized safe production, launch promotion programs for energy saving and reduction in emissions, care for the employees and foster a harmonious environment for corporate development.

GRATITUDE

On behalf of the Company, I would like to express my sincere gratitude to our valued shareholders, customers, banks and to our management and employees for their continuous trust and support to our Group.

By order of the Board
Lin Wan Tsang
Chairman

Hong Kong, 28 February 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is principally engaged in (i) the manufacture and sale 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; and (ii) the content filling of aerosol cans, and the production and sale of aerosol and non-aerosol products which focuses on, among others, the development of high-end car care service products. The Group has a wide range of extrusion dies available 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. In addition, aerosol and non-aerosol products produced and sold by the Group include car refrigerants, air conditioner disinfectant cleaner, paint remover, spray paint, wax, air fragrance, multi-purpose foam cleaner, carburetor cleaner, anti-rust lubricating spray, furniture polisher and sticker remover.

Our revenue is primarily derived from (i) the sale of aluminum aerosol cans; and (ii) the sale of aerosol and non-aerosol products. For the Reporting Period, the Group achieved a steady growth in production and sales in an orderly manner, in which the Group's revenue for the Reporting Period recorded a slight increase of approximately 0.8% as compared to the corresponding period in 2016. For the Reporting Period, revenue derived from the sale of aluminum aerosol cans was approximately HK\$249.9 million (2016: HK\$217.9 million) and the sale of aerosol and non-aerosol products was approximately HK\$451.9 million (2016: HK\$478.4 million), representing approximately 35.6% and 64.4% of the Group's revenue, respectively.

OPERATING ENVIRONMENT AND PROSPECTS

The Group continues to face severe world-wide competition in the aluminum aerosol cans markets, especially from the increase in competition from small-sized overseas aerosol cans manufacturers, vigorous competition of car care products sector and the slowdown of growth in the consumable products and domestic demands in high-end personal care products in the PRC.

Amid the rapidly changing market environment, the Group will continue to (i) leverage the R&D capability to develop new products with high gross profits and high demand, while diversifying the products of the Group; (ii) optimize and integrate internal resources aggressively to consolidate business foundation; and (iii) invest further in upgrading the existing production facilities with more advanced machinery and equipment to enhance our product quality, production capacity and efficiency in order to cope with the recent development trends in the market.

FINANCIAL REVIEW

Turnover

Aluminum aerosol cans segment

For the Reporting Period, the Group's aluminum aerosol cans segment has recorded a turnover of approximately HK\$249.9 million (2016: HK\$217.9 million), representing an increase of approximately 14.7% as compared to the corresponding period of 2016. The number of aluminum aerosol cans sold by the Group for the Reporting Period was approximately 157.8 million (2016: 150.1 million).

Aerosol and non-aerosol products segment

For the Reporting Period, our aerosol and non-aerosol products segment has generated revenue amounting to approximately HK\$451.9 million (2016: HK\$478.4 million), representing a decrease of approximately 5.5% as compared to the corresponding period of 2016.

PRC and oversea customers

Our PRC customers and overseas customers contributed approximately HK\$546.7 million (2016: HK\$505.3 million) and HK\$155.1 million (2016: HK\$191.0 million) to the total revenue of the Group during the Reporting Period. There was a decrease of approximately 18.8% in sales from our overseas customers which is primarily due to the fact that we continue to face severe world-wide competition in the aluminum aerosol cans market and car care products market and strengthen RMB which has adverse impact on export sales.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(continued)*

Cost of Sales

For the Reporting Period, cost of sales of the Group amounted to approximately HK\$489.1 million (2016: HK\$451.7 million), which represented approximately 69.7% (2016: 64.9%) of the turnover in the Reporting Period. There was an increase of approximately 8.3% in cost of sales which was mainly attributable to (i) an increase in global aluminum price and international crude oil price; and (ii) the cost of procurement of solvents, being major raw materials for the production of the Company's aerosol and paste canned environmental fine chemical products, significantly increased for the Reporting Period to the corresponding period of last year.

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 Reporting Period, selling and distribution expenses were approximately HK\$56.4 million (2016: HK\$59.3 million), representing a decrease of approximately 4.9% as compared to the corresponding period of 2016. The decrease was primarily due to the net effects of i) a significant decrease in advertising and marketing expenses of HK\$8.1 million (2016: HK\$12.8 million) for promotion events and brand building activities, including sponsoring of singing concert and online promotion, ii) an increase in transportation expenses of HK\$29.3 million (2016: HK\$26.6 million) which was in line with the increase of PRC sales.

Administrative Expenses

Administrative expenses mainly represent the salaries and benefits of the administrative and management staff, professional consulting fees, depreciation, share option expenses and other miscellaneous administrative expenses. For the Reporting Period, administrative expenses were approximately HK\$47.4 million (2016: HK\$44.7 million), representing an increase of approximately 6.0% as compared to the corresponding period of 2016. The increase in administrative expenses was primarily due to i) an increase in salaries, welfare and bonus of HK\$16.7 million (2016: HK\$14.4 million) as a result of an increase in the overall headcounts and social pension fund in the PRC, and ii) an increase in depreciation expenses of HK\$4.1 million (2016: HK\$3.2 million).

Net Profit

The Group's net profit amounted to approximately HK\$67.1 million for the Reporting Period (2016: HK\$95.3 million), representing a decrease by approximately 29.6% as compared to the corresponding period in 2016. Net profit margin for the Reporting Period was approximately 9.6% (2016: 13.7%), representing a decrease of approximately 4.1% as compared to the corresponding period of 2016. The decrease in net profit was primarily due to an increase in global aluminum price and international crude oil price which led to an increase of production cost and a lower net profit margin.

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

As at 31 December 2017, the Group had net current assets of approximately HK\$224.6 million (31 December 2016: HK\$137.3 million). The Group's cash and cash equivalents amounted to HK\$159.4 million as at 31 December 2017 (31 December 2016: HK\$122.4 million). The current ratio of the Group was approximately 2.8 as at 31 December 2017 (31 December 2016: 2.0).

Borrowing and the Pledge of Assets

The bank borrowings of the Group, which were secured by our properties, plants and equipment and land use rights amounted to approximately HK\$0.1 million as at 31 December 2017 with maturity in 2018 (31 December 2016: HK\$18.5 million). Except for the finance lease payable which is charged at 4.11%, all other bank borrowings are charged with reference to bank's preferential floating rates.

As at 31 December 2017, we had available unutilized banking facilities of approximately HK\$181.8 million (31 December 2016: HK\$161.8 million). Further details of the Group's bank borrowings are set out in note 24 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES *(continued)*

Gearing Ratio

As a result of the increase in cash and cash equivalents and decrease in total borrowings of the Group, the gearing ratio (net debt divided by total equity) was approximately -16% as at 31 December 2017 (31 December 2016: -7%).

Contingent Liabilities

As at 31 December 2017, the Group had no significant contingent liabilities (31 December 2016: Nil).

Contractual Obligations

As at 31 December 2017, the Group's operating lease and capital commitment amounted to HK\$0.4 million (31 December 2016: HK\$0.9 million) and HK\$94.3 million (31 December 2016: HK\$0.3 million), respectively. The capital commitments, including commitment of plant and machinery and future capital contribution, were approximately HK\$4.3 million and HK\$90.0 million respectively. On 30 November 2017, China Medical Beauty Bio-Technology Company Limited, a wholly-owned subsidiary of the Group, entered into a share acquisition agreement (the "Agreement") with European Asia Industrial Limited, a company wholly-owned by Mr. Lin Wan Tsang ("Mr. Lin"), the chairman and the controlling shareholder of the Company. Pursuant to the Agreement, European Asia Industrial Limited agreed to sell the 70% issued share capital of 廣州歐亞氣霧劑與日化用品製造有限公司(Guangzhou Euro Asia Aerosol & Household Products Manufacture Co., Limited*) (The "Target Company") at the consideration of HK\$90,000,000 in cash. Details of the Acquisition were set out in the Company's announcements made on 30 November 2017, 15 December 2017 and 2 February 2018. The Acquisition has not been completed upon the approval date of these financial statements.

CAPITAL STRUCTURE

As at 31 December 2017, the total number of issued shares of the Company (the "Shares") was 934,179,000 (31 December 2016: 598,197,000).

FOREIGN EXCHANGE EXPOSURE AND EXCHANGE RATE RISK

Approximately 21.3% of the Group's revenue for the Reporting Period were denominated in the United States dollar ("US\$"). However, 99.9% of the production costs were conducted in RMB. Therefore, there is a currency mismatch between US\$ revenue and RMB production costs, which gives 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.

During the year ended 31 December 2017, we did not enter into any foreign currency forward contracts or have any outstanding foreign currency forward contracts.

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 widely used metal commodities, 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.

During the year ended 31 December 2017, we had conducted forward purchases with amounts of approximately RMB4.3 million consisting of 360 tonnes of aluminum ingots. As at 31 December 2017, we did not have any outstanding forward purchases.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND EMOLUMENTS POLICY

As at 31 December 2017, the Group had a workforce of 776 employees (31 December 2016: 759 employees). The staff costs, including directors' emoluments but excluding any contributions to the pension scheme, were approximately HK\$63.4 million for the Reporting Period (2016: HK\$59.2 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of an 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 the Directors have been determined with reference to the skills, knowledge, contribution 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

During the Reporting Period, the Group did not have any significant investments (2016: Nil).

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\$80.0 million. During the Reporting Period, the net proceeds from the Share Offer had been applied as follows:

Business objectives as stated in the prospectus	Actual net proceeds (HK\$ million)	Amount utilized up to 31 December 2017 (HK\$ million)	Balance as at 31 December 2017 (HK\$ million)
Partially fund the expansion of our production capacity, including the upgrade of our existing production lines and the acquisition of a brand new production line for aluminum aerosol cans	48.0	48.0	—
Establish a new research and development laboratory	12.0	3.1	8.9
Partially repay US\$ denominated bank loan	16.0	16.0	—
General working capital purposes	4.0	4.0	—
	80.0	71.1	8.9

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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, ASSOCIATES AND JOINT VENTURES

On 30 November 2017, China Medical Beauty Bio-Technology Company Limited, a wholly-owned subsidiary of the Company and European Asia Industrial Limited, a company wholly-owned by Mr. Lin, the chairman of the Board and the controlling shareholder (the "Vendor") entered into the sale and purchase agreement (the "Sale and Purchase Agreement"), to acquire 70% of the issued share capital of 廣州歐亞氣霧劑與日化用品製造有限公司(Guangzhou Euro Asia Aerosol & Household Products Manufacture Co., Limited*), a company wholly-owned by the Vendor (the "Target Company") at the consideration of HK\$90,000,000 in cash (the "Acquisition").

The Target Company is principally engaged in content filling of aerosol cans for cosmetic products. With the Acquisition, the Group will be able to broaden its source of income by diversifying its product range.

The Acquisition had been approved by the independent shareholders of the Company in the extraordinary general meeting of the Company which was held on 10 January 2018. The completion of the Acquisition would be subject to the satisfaction of certain conditions precedent to the Acquisition on or before 31 March 2018 as set out in the Sale and Purchase Agreement and the announcements of the Company. Details of the Acquisition were set out in the announcements of the Company dated 30 November 2017, 15 December 2017 and 2 February 2018.

Save as disclosed above, during the Reporting Period, the Group had no acquisition or disposal of subsidiaries, associates or joint ventures.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has adopted and complied with the code provisions set out in the Corporate Governance Code as set out in Appendix 14 (the "CG Code") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the Reporting Period except the CG Code provision A.2.1.

Pursuant to the CG Code provision A.2.1, the roles 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, 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 Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding the Directors' securities transactions. Specific enquiries have been made with all the Directors and they have confirmed that they have complied with the Model Code throughout the Reporting Period.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not segregate the roles of chairman and chief executive and Mr. Lin 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 on 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 of the independent non-executive Directors gives the Company an annual confirmation of his/her 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 Reporting Period. 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 auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 45 to 49.

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 Director 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 senior management and company secretary of the Company (the "Company Secretary"). 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 four 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. During the Reporting Period, 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. Dong Jiangxiong
Ms. Ko Sau Mee
Mr. Lin Hing Lung

Non-executive Director

Mr. Kwok Tak Wang

Independent non-executive Directors

Dr. Lin Tat Pang
Ms. Guo Yang
Mr. Chung Yi To
Mr. Yip Wai Man Raymond

The brief biographical details of and relationship between the existing Directors are set out in the paragraph headed "Biographical Details of Directors and Senior Management" on pages 29 to 32. Ms. Ko Sau Mee is the spouse and Mr. Lin Hing Lung is the son of Mr. Lin Wan Tsang. Save as disclosed above, there are no other relationships (including financial, business, family or other material/relevant relationships among the members of the Board.

CORPORATE GOVERNANCE REPORT

Appointment and Re-election of Directors

All Directors are appointed for specific terms. Mr. Lin Wan Tsang and Ms. Ko Sau Mee have entered into a service agreement with the Company for a term of 3 years commencing from 12 July 2013 to 11 July 2016 and will continue thereafter. Mr. Dong Jiangxiong and Mr. Lin Hing Lung have entered into a service agreement with the Company for a term of 3 years commencing from 31 March 2016 to 30 March 2019 and will continue thereafter. Dr. Lin Tat Pang and Ms. Guo Yang have entered into a service agreement with the Company for a term of 1 year commencing from 20 June 2015 to 19 June 2016 and will continue thereafter. Mr. Chung Yi To has entered into a service agreement with the Company for a term of 1 year commencing from 24 June 2015 to 23 June 2016 and will continue thereafter. Mr. Kwok Tak Wang has entered into a service agreement with the Company for a term of 1 year commencing from 12 July 2015 to 11 July 2016 and will continue thereafter. Mr. Yip Wai Man Raymond has entered into a service agreement with the Company for a term of 1 year commencing from 27 May 2016 to 26 May 2017 and will continue thereafter.

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. Dong Jiangxiong, Mr. Lin Hing Lung and Mr. Kwok Tak Wang shall retire and, being eligible, offer themselves for re-election at the forthcoming 2018 AGM. The Board and the nomination committee of the Company 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 the CG Code provision A.6.5 during the Reporting Period. 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.

A record of the Directors' participation in various continuous professional development program is kept with the Company. One topic out of the external courses the Directors had participated was about the guidelines for the disclosure of inside information. A summary of the Directors' participation in training and continuous professional development during the year ended 31 December 2017 according to the records provided by the Directors is as follows:

Names of Directors	Training organised by professional organizations	Reading materials updating on new rules and regulations
Executive Directors		
Mr. Lin Wan Tsang (<i>Chairman</i>)	✓	✓
Mr. Dong Jiangxiong	✓	✓
Ms. Ko Sau Mee	✓	✓
Mr. Lin Hing Lung	✓	✓
Non-executive Director		
Mr. Kwok Tak Wang	✓	✓
Independent Non-executive Directors		
Dr. Lin Tat Pang	✓	✓
Ms. Guo Yang	✓	✓
Mr. Chung Yi To	✓	✓
Mr. Yip Wai Man Raymond		✓

UPDATE ON DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Director are set out below:

Dr. Lin Tat Pang, an independent non-executive Director, has been appointed as an independent non-executive director and the chairman of the audit committee of HNA Technology Investments Holdings Limited (a company listed on the Stock Exchange, stock code: 2086) since December 2017.

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, 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.

CORPORATE GOVERNANCE REPORT

Board Meeting and Procedures

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 Reporting Period:

Names of Directors	Attendance/Number of Meetings Held					
	Board Meeting	Audit Committee Meeting	Remuneration Committee	Nomination Committee	Risk Management Committee	General Meeting
Executive Directors						
Mr. Lin Wan Tsang	* 10/10	—	1/1	1/1	—	1/1
Mr. Dong Jiangxiong	10/10	—	—	—	—	1/1
Ms. Ko Sau Mee	10/10	—	—	—	—	1/1
Mr. Lin Hing Lung	10/10	—	—	—	—	1/1
Non-executive Director						
Mr. Kwok Tak Wang	10/10	—	1/1	1/1	10/12	1/1
Independent non-executive Directors						
Dr. Lin Tat Pang	10/10	2/2	1/1	*1/1	12/12	1/1
Ms. Guo Yang	10/10	2/2	*1/1	1/1	—	1/1
Mr. Chung Yi To	10/10	2/2	1/1	1/1	* 12/12	1/1
Mr. Yip Wai Man Raymond	9/10	*1/2	0/1	0/1	10/12	1/1

Remark:

* representing chairman of the Board or the committees

The Board has established four committees, namely, the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee"), the nomination committee (the "Nomination Committee") and the risk management committee (the "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 websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.6898hk.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 (amended on 31 December 2015) in compliance with the CG Code to the Listing Rules 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 risk management and internal control systems of the Group. The Audit Committee comprises four members, all being independent non-executive Directors, namely, Mr. Yip Wai Man Raymond (Chairman), Dr. Lin Tat Pang, Ms. Guo Yang and Mr. Chung Yi To. The Group's accounting principles and practices, financial statements and related materials for the Reporting Period had been reviewed by the Audit Committee.

During the Reporting Period, the Audit Committee 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 websites of the Stock Exchange and the Company.

The external auditor was 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 auditor.

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.1.2(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, Ms. Guo Yang (Chairman), Dr. Lin Tat Pang, Mr. Chung Yi To and Mr. Yip Wai Man Raymond. Accordingly, a majority of the members are independent non-executive Directors.

During the Reporting Period, the Remuneration Committee 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 websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Board would follow a set of formal, considered and transparent procedures 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 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), Ms. Guo Yang, Mr. Chung Yi To and Mr. Yip Wai Man Raymond. Accordingly, a majority of the members are independent non-executive Directors.

During the Reporting Period, the Nomination Committee 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 websites of the Stock Exchange and the Company.

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 (the "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), Dr. Lin Tat Pang and Mr. Yip Wai Man Raymond. Accordingly, a majority of the members are independent non-executive Directors.

During the Reporting Period, the Risk Management Committee held twelve meetings to review and approve the hedging policies which have been duly followed by the Hedging Team and reported 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 Risk Management 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 websites of the Stock Exchange and the Company.

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 risk management and 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 Reporting Period. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor.

During the Reporting Period, the fee payable to Ernst & Young in respect of its statutory audit services provided to the Company was HK\$2.5 million (2016: HK\$2.3 million).

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

The Company has engaged in a service contract with an external service provider, Ms. Ho Wing Yan ("Ms. Ho"), who was appointed as the Company Secretary. Mr. Lin Wan Tsang, the chairman of the Board and executive Director, is the primary corporate contact person of the Company with Ms. Ho.

Being the Company Secretary, Ms. Ho plays an important role in supporting the Board by ensuring good information flow within the Board and that the Board policies and procedures are followed. Ms. Ho is responsible for advising the Board on corporate governance matters and should also facilitate induction and professional development of the Directors.

During the Reporting Period, the Ms. Ho has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

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, at the date of deposit of the requisition, holding 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 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 the shareholders of the Company to propose a person for election as a Director are 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 website of the Stock Exchange, 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.

Constitutional Documents

There was no significant change in the constitutional documents of the Company during the Reporting Period.

RISK MANAGEMENT AND INTERNAL CONTROL

Maintaining sound and healthy risk management and internal control systems are the keys to fulfil the business objectives and long-term sustainable growth of the Group. The Board has recognized they are generally responsible for the assessment and determination on the nature and degree of risks which are acceptable by the Group for meeting its strategic objectives, ensuring the Group to establish and maintain proper and effective risk management and internal control systems. The Risk Management Committee assists the Board and the Audit Committee to review and control the major risks. The risk control team under the Risk Management Committee (the "Risk Control Team") comprises the management personnel from the departments of finance, sales and marketing, production and manufacturing and human resources, who are responsible for the identification and management of the risks involved in daily operations.

RISK GOVERNING STRUCTURE



CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT PROCEDURE

The Risk Control Team organizes the collection of the relevant information comprehensively, systematically and persistently by various business departments, and timely makes risk assessment in view of the current situation of the Group.

(I) Practices and procedures

The Risk Control Team calls for a quarterly regular thematic meeting. Based on the qualitative and quantitative approaches, it analyzes and ranks the identified risks according to the likelihood of their occurrence and degrees of impact so as to determine the key focus and priority risks to be handled. During risk identification, the Group will consider various internal factors such as the human resources and financial conditions of the Group together with the external factors such as the economy, technology and society. Based on the results of the risk analysis and taking the risk acceptability of the Group, it will formulate responsive strategies in terms of risk acceptance, risk allocation, risk mitigation and aversion and implement the risk management measures.

(II) Regular review

The Risk Control Team performs half-yearly checks and inspections on the implementation and effectiveness of the risk control efforts made by various business departments, makes assessments on the risk control solution plans of each business department, makes recommendations on adjustment and improvement, prepares the assessment and recommendation report and reports to the Risk Management Committee. Meanwhile, every year the Risk Control Team is required to present (i) an annual risk control report covering the fundamentals of risk control, conclusions based on prior-year risk solutions, results of the risk assessment and solutions for the year to the Risk Management Committee, and (ii) special report on material events covering, amongst others, risk analysis, risk solutions, the existing solving measures and response deadline for risk solutions, to the Risk Management Committee at the discretion of the Risk Control Team.

RISK CATEGORIES

The business development, financial conditions, operating results or prospect of the Group might be affected by risks and uncertainties, leading to a result probably deviated from the expected or past performance. Certain major risks which have impacts on the Group are listed below.

Strategic risks

The strategic risks encountered by the Group include, amongst others, those arising from the mismatch of departmental human resources allocation, division of roles and responsibilities, ineffective motivation mechanism for the management, accommodation of the core business of the Group with China's macro policies on the industry and environmental protection as well as whether a good relationship is maintained between the government and media respectively.

In view of the above risks, the Group has implemented appropriate departmental human resources allocation, definite division of roles and responsibilities and effective motivation and disciplinary mechanisms for the management. Leveraging the policy of China on promoting the development of metallic packaging, the Group has actively enhanced its innovation and competitiveness, become one of the "New 300 Enterprises", maintained good relationship with the governments of various levels and implemented crisis communication mechanism.

Financial Risks

The strategic risks encountered by the Group include, amongst others, those involved in fund misappropriation arising from poor management in fund activities, undisciplined operation arising from unsound or informal preparation, implementation and management of budgets, intended or unintended false information existed in financial statements, the compliance of those statements with accounting rules and standards, uncertainties in taxation management and tax payment, inadequate assessment of customers' credit.

In view of the above risks, the Group has strengthened the accounting system control on its working capital, prepared the overall annual budget, launch the accountability system for budget implementation, budget appraisal system, sales management system, review, approval and oversight system for tax payment. Meanwhile, the Group has determined its financing plans in connection with those from bankers, prepared monthly fund budget to spread the cash-flow risks.

Operating risks

The operating risks encountered by the Group include, amongst others, those arising from whether safety and environmental protection standards are met by the production of our products, management of human resources, sales, supply chains and information system, insufficient innovation, inspection and verification of technologies and products.

In view of the above risks, the Group has focused on the control and monitoring of dust, high temperature and chemical hazard, discharged sewage according to the total amount and concentration allowed under the pollutant discharge license, formulated the status-quo assessment on energy conservation and emission reduction as well as medium and long term planning, timely updated the staff handbook and implemented applicable labor laws and regulations, introduced advanced technologies and talents, solved the innovation problems through technological exchange and cooperation. Meanwhile, the Group strived to explore new customers and new sales channels, assess the suppliers regularly, inspect regularly and maintain the facilities of the information system and provide staff training.

Legal risks

The legal risks encountered by the Group include, amongst others, those arising from the physical or existing default operations, legal disputes, default behaviors, intellectual property and human rights protection.

In view of the above risks, the Group has implemented the measures such as the contract review and approval procedure with the routine support of our permanent legal advisor, regular third-party audit to monitor compliance so as to mitigate the impact of such risks on the Group.

CORPORATE GOVERNANCE REPORT

ANNUAL CONFIRMATION

The Board has been continuing to monitor the risk management and internal control systems of the Group, and has made an annual review, through the Audit Committee, on the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2017.

Meanwhile, the Company commissioned a third-party professional body to make an internal audit on the effectiveness of the design and the compliance regarding the implementation of the internal control systems relating to its risk management, control and governance practices. The Audit Committee under the Board has made an annual review on the effectiveness of the risk management and internal control systems for the year ended 31 December 2017, and reviewed the results of assessment on the internal control systems made by the third party. The Board considers the system of the Group is effective and adequate accordingly.

Any internal control system has its own restrictions; therefore, the internal control systems of the Group are established to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board approved and adopted an inside information policy and procedures for the handling and dissemination of inside information. The insider information policy provide the guidelines to the Directors, management and relevant staff (likely possessing the unpublished inside information) of the Group to ensure that the inside information of the Group is to be disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations. The procedures include, among others, regularly remind the Directors, management and relevant staff about the compliance with the securities dealing restrictions as set out in the Model Code and the notification of the 60-day and 30-day blackout period applicable to the publication of the annual and interim results of the Company respectively.

All Directors and those employees who could have access to, and monitor, the information of the Group are responsible for making appropriate precautions to prevent abuse or misuse of such information. Employees of the Group are prohibited from using inside information for their own benefit.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As the largest aluminum container packing and aerosol filling enterprise in China, the Company takes upon itself to discharge social responsibility. We have been committed to providing our customers with quality products and services by developing and producing safer and more environmentally-friendly packaging products. The Company has also been vigorously promoting energy conservation and emission reduction and technological innovation in order to earnestly practice environmental protection. We have been exercising better care with the development and well-being of our staff to motivate their initiative and creativity to the greatest extent. Meanwhile, we have been actively participating in social welfare and have earned good reputation. Apart from business operation, we have been striving to satisfy the benefits of all stakeholders, economy, environment, society and corporate governance to achieve optimal balance with our utmost effort.

Environmental protection is one of the major concerns of the Group. We pledge to protect the environment to which we place great emphasis on environmental protection in our operation while hoping to reduce our long-term negative impact on the environment through strict monitoring and control. In this regard, in addition to the Board which is responsible for preparing the environmental, social and governance report, all subordinate units of the Group also actively cooperate to provide advices and regularly collects data for reporting. Most of our emissions are derived from the emission incurred during the daily production of the Group. We will study and monitor the impact of our production on the environment by continuously monitoring and releasing the emission policy of the Group.

Policies on waste gas and greenhouse gas emission, discharge of pollutants into water and land, generation of hazardous and non-hazardous waste, environment and natural resources and the use of resources:

- Adopting low VOCs coating to reduce the emission of volatile organic gases.
- Continuously optimizing and upgrading sewage treatment.
- Actively researching and developing environmentally-friendly formulations, such as tank oil of the water-based aluminum aerosol cans.
- Promoting clean production and upgrading machinery.
- Switching off lights and turning off unnecessary energy-consuming devices when staff leaves the office.
- Providing crew buses for collective transportation to reduce the use of limousine buses and private cars
- Adopting LED lighting in some production workshops and offices.
- Encouraging staff to reduce waste. For example: reusing paper and approving documents via electronic approval system to reduce paper consumption.
- Researching, developing and applying the technology of variable wall shaped aluminum cans to reduce material consumption.
- Continuously improving dust hazard control and introducing Handte Wet Scrubbers (Camfil APC, Germany) to improve intrinsic safety level.
- Using frequency conversion air compressor and air compressor heat recovery during some of our productions to reduce energy consumption.
- Establishing an environmental management system for the production of aerosol and non-aerosol products in compliance with ISO 14001 and attained relevant certification.
- Utilising materials that facilitate clean production environment to effectively reduce the consumption of detergents and running water.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Closely following the development trend of clean energy and gradually promoting the use of pipeline natural gas, the globally recognized cleanest energy, for furnaces in the production line.
- Bringing our own cups to avoid using paper cups.

SUMMARY OF ENVIRONMENTAL GOVERNANCE

Our professional R&D team applied the technology of variable wall shaped aluminum cans to reduce the consumption of raw materials, which saved 10%-15% of raw materials and won the Zhongshan City Patent Gold Award' (中山市專利金獎) and Guangdong Independent and Innovative Products' (廣東省自主創新產品).

Meanwhile, the Group conducted the technical renovation on the washing process of aluminum cans to reduce the use of detergents and running water consumption.

The Group renovated all existing electrically heated furnaces in the production line into natural gas heated furnaces, which achieved an average energy-saving rate of 15% after the renovation. With the adoption of reverberatory furnace technology, it can save the natural gas consumption by 35,000 m³.

The Group conducted sewage treatment and effectively neutralized alkaline water to about pH8.

The Group provided staff training on operation methods to enhance product qualification rate and control product damage, thereby reducing the volume of emissions.

The Group conducted coordination on the use of electricity and entered into electricity purchase contracts with clean energy sales companies in relation to the use of clean and green energy, with an aim to optimize relevant indicators.

To minimize the impact of VOCs coatings on the environment and human body, the Group has adopted environmentally-friendly water-based coatings as the substitute for VOCs coatings such that the amount of coatings per can used is reduced.

The Group endeavored to mitigate the impact caused by wastes. All non-hazardous wastes were essentially recycled for use and were regularly delivered to recycling companies by categories for recycling. Hazardous wastes were labeled and placed at fixed location according to the required protection measures, and were regularly delivered to qualified recyclers for recycling.

The Group strengthened the education and promotion on energy saving to enhance staff awareness of energy saving and green practices while reinforcing the supervision and control over the reasonable consumption of energy. Meanwhile, production equipment and utilities were well maintained in the ordinary course of business to avoid and minimize the occurrence of any "gas escape, water emitting, liquid dropping and leakage". Cooling systems were cleaned whereas air compressors were repaired and maintained on regular basis to enhance the efficiency of use of such equipment. Lighting devices, equipment and motor with high energy consumption were replaced and new energy saving appliances were installed. For ventilation facilities, we tried our utmost to use natural renewable resources. Through the above measures, the energy consumption saw a significant drop during the year. The consumption of natural gas and electricity recorded a year-on-year decrease of 16.06% and 13.80%, respectively.

In order to reflect stakeholders' comment and relevant concerns on the environmental, social and governance report more effectively, the Group specially met with the management during which each responsible department provided advices with reference to relevant inter-industry guidelines and contents and together identified and assessed material issues to determine the issues and assessment indicators to be disclosed in the environmental, social and governance report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KEY PERFORMANCE INDICATORS

- A1.1 Types of emissions and respective emissions data
 Industrial exhaust gas (exhaust gas from drying process) in total: 7.44 tons/hour
 Carbon dioxide: 1,497 tons
 PH value of industry sewage (after water treatment): 7.68 non-dimensional; Chemical oxygen demand: 16.2 mg/L;
 Petroleum: 1.29 mg/L
- A1.2 Greenhouse gas emissions in total (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility)
- | <u>Emissions (in tons)</u> | <u>Intensity (in 100 million sales)</u> |
|---|--|
| Carbon dioxide: 1,497 tons | Carbon dioxide: 213.5 tons/100 million sales |
| Industrial exhaust gas (exhaust gas from drying process) in total: 7.44 tons/hour | Industrial exhaust gas (exhaust gas from drying process) in total: 1.06 tons/100 million sales |
- A1.3 Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility)
- | <u>Total waste (in tons)</u> | <u>Intensity (in 100 million sales)</u> |
|---|---|
| Waste paint and ink: 21.91 tons/year | Waste paint and ink: 3.12 tons/100 million sales |
| Waste tarpaulin: 0.76 tons/year | Waste tarpaulin: 0.11 tons/100 million sales |
| Water treatment sludge: 0.063 tons/year | Water treatment sludge: 0.01 tons/100 million sales |
| Organic solvents: 44.86 tons/year | Organic solvents: 6.35 tons/100 million sales |
- A1.4 Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility)
- | <u>Total waste (in tons)</u> | <u>Intensity (in 100 million sales)</u> |
|---|---|
| Colored aluminum waste cans: 189.63 tons/year | Colored aluminum waste cans: 27.05 tons/100 million sales |
| Colorless waste aluminum cans: 205.66 tons/year | Colorless waste aluminum cans: 29.34 tons/100 million sales |
| Household waste: 2.30 tons/year | Household waste: 0.33 tons/100 million sales |
| Packaging paper scraps: 156.00 tons/year | Packaging paper scraps: 22.25 tons/100 million sales |
| Rags: 12.00 tons/year | Rags: 1.71 tons/100 million sales |
- A1.5 Description of measures to mitigate emissions and results achieved
 Please refer to "SUMMARY OF ENVIRONMENTAL GOVERNANCE".
- A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.
 Please refer to "SUMMARY OF ENVIRONMENTAL GOVERNANCE"
- A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)
- | <u>Total consumption</u> | <u>Intensity (in 100 million sales)</u> |
|---|--|
| Electricity consumption: 18,247,060 kWh/year | Electricity consumption: 2,603,004 kWh/100 million sales |
| Natural gas consumption: 793,137 m ³ /year | Natural gas consumption: 113,144 m ³ /100 million sales |
| Diesel: annual diesel consumption of boilers and forklifts: 96,000 L/year | Diesel: annual diesel consumption of boilers and forklifts: 13,695 L/100 million sales |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).

<u>Total water consumption</u>	<u>Intensity (in 100 million sales)</u>
Running water consumption: 135,419 tons/year	Running water consumption: 19,318 tons/100 million sales

A2.3 Description of energy use efficiency initiatives and results achieved.
Please refer to "SUMMARY OF ENVIRONMENTAL GOVERNANCE".

A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.
Please refer to "SUMMARY OF ENVIRONMENTAL GOVERNANCE".

A2.5 Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.

<u>Total packaging material (in tons)</u>	<u>Intensity (in 100 million sales)</u>
Cartons: 3,513 tons/year	Cartons: 501 tons/100 million sales

A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.
Please refer to "SUMMARY OF ENVIRONMENTAL GOVERNANCE".

Employees are important assets of the Group. The Company cares about our employees' well-being and respects their personal qualities. We ensure all our employees are entitled to legal protection and enjoy career development opportunities, thereby strengthening their sense of belonging. The Group continues providing our employees with a diversified and quality working environment with fair opportunities. We emphasize safe production to protect our employees from occupational hazards, while conducting regular trainings on their skills and functions. Meanwhile, the Group attaches great importance to the management of supply chains and risks of relevant policies, and bears responsibility for the health benefits and safety of our products and services. The Group believes community engagement is of great value to the long-term development of the Company. The Company actively participates in community welfare activities, benefiting the community with concrete actions. We will continue to monitor and announce the Group's operation management, staff development and community engagement to understand and oversee relevant developments and effects.

Policies on staff, supply chains, product liability, anti-corruption and community engagement:

- Emphasizing trainings, including but not limited to on-board training, safety education training, pre-job training, on-the-job training and fire safety escape training.
- Actively retaining talents and recommending outstanding employees through democratic election.
- Actively promoting the prevention and control of employee occupational diseases and hygiene by equipping safe production equipment, including but not limited to gloves, ear plugs, gas masks, safety goggles and protective shoes.
- Offering employees with competitive salary and benefits in accordance with job requirements and individual performance.
- Organizing an employee labor union to promote the prevention of possible forced labor; meanwhile, holding evening parties and birthday parties for employees and giving them holiday gifts.
- Requiring our employees to strictly comply with the anti-corruption guidelines stipulated in the staff handbook.
- Safeguarding our employees' entitlements and preventing child labor or forced labor pursuant to the labor legislations of the PRC and Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Installing large ceiling fans in production workshops to improve the air ventilation, thus heightening the comfort level of the working environment.
- Formulating emergency response measures, such as responses to fire and explosions.
- Providing dormitory staff with night-time emergency vehicle service.
- Arranging regular first aid drills, fire drills and evacuation drills.
- Prohibiting smoking and drinking in production workshops.
- Providing our employees with vocational English and management courses to enhance their overall competence.
- The Human Resources Department taking effective procedures to verify applicants' age and inspecting their identification documents and valid proof of identity before hiring any of them.
- Banning all employees from involving in, assisting in and concealing any fraud, and terminating the labor relationship and reporting to the police if any employee is found to commit fraud.
- Continuously showing special caring effort for our employees on special circumstances such as marriage, funeral, injury and illness.
- Actively participating in charity works, including Zhongshan Charity Parade Donation Campaign (中山慈善萬人行捐款活動) and staff voluntary blood donation. In order to encourage our employees to participate in community welfare activities, the Company grants paid holidays and bonuses.
- Providing impoverished families with certain annual grants on annual and regular basis to support the elderly and the young and improve the quality of life of impoverished families.
- Promoting and facilitating anti-corruption through multiple aspects by coordinating education and training programs, setting up systems and rules, as well as carrying out petition supervision.
- Constantly promoting examples of anti-corruption and good deeds on the Company's publicity columns to further develop our employees' self-regard, personal integrity, and self-discipline.
- Strictly controlling the standard of product quality and safety and conducting classification management for suppliers.
- Regulating the primary selection and re-selection of materials with standardized systems, strengthening day-to-day management and continually improving the standardized systems.
- Working with suppliers to control product hygiene and safety risks, while conducting regular inspections on suppliers' plants to enhance products' safety assurance capability.
- Adding online monitoring device of suppliers to reinforce the control over the production process.
- Striving to build the "green supply chain" to assist upstream suppliers in facilitating raw material production reform and promoting the recycling of packaging waste.
- Ensuring products and services are in compliance with the related legislations and standards.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Running stringent tests on product safety and stress resistance, including pressure burst test, and the stress resistance of the Company's products is far higher than national standards.
- Conducting detailed analysis in case of product defects to identify the cause, pro-actively explain to customers and reach a mutually satisfactory solution.

CONCLUSION

The Group is dedicated to facilitating sustainable development, creating long-term and valuable contribution to the environment, community, employees and shareholders. The Group is concerned about the effect of its day-to-day operation on the environment and society, with an aim to be an exemplary role model for the society and work together to create a bright future.

The Board is responsible for assessing and monitoring the management of environmental, social and governance risks and collecting relevant data. The management will regularly report the relevant state to the Board. The Group also conducted annual review on the effectiveness of the environmental, social and governance report for the year ended 31 December 2017.

Due to its inherent limitation of the judgement, system of the environmental, social and governance report as well as the collection of relevant data, the development of the Group's report and system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

* *For identification purpose only*

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographies of Directors and senior management are set out below:

EXECUTIVE DIRECTORS

Mr. Lin Wan Tsang (連運增), aged 52, 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 22 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 & 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.

Mr. Dong Jiangxiong (董江雄), aged 66, was appointed as the executive Director on 31 March 2016. Mr. Dong obtained his Bachelor's degree in Precision Instrument from Tsinghua University* (清華大學). He obtained the Qualification of Patent Attorney* (專利代理人) in 1985 and the Lawyer's License* in the PRC in 1988. He has over 30 years of experience in advising on intellectual properties matters such as patents, trademarks and copyrights. Mr. Dong has extensive experience in advising corporations in the PRC and overseas on intellectual properties matters.

Ms. Ko Sau Mee (高秀媚), aged 51, 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 15 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. Lin Hing Lung (連興隆), aged 24, was appointed as the executive Director on 31 March 2016. He is the son of Mr. Lin Wan Tsang and Ms. Ko Sau Mee, the executive Directors and the controlling shareholders of the Company. He is currently the deputy managing director of the Company and is responsible for the management of domestic and overseas sales department. In 2014, he obtained his Bachelor's degree in Marketing and Management in University of Newcastle, United Kingdom. Mr. Lin Hing Lung is the standing committee member of the Aerosol Committee of CPF, the vice-president of Guangdong Chamber of Automotive Supplies (廣東省汽車用品商會) and the council member of Guangdong Association for Standardization since 2015. He has extensive experience in market development in the PRC and overseas market.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Kwok Tak Wang (郭德宏), aged 54, 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 61, 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. Dr. Lin has also been appointed as an independent non-executive director and the chairman of the audit committee of HNA Technology Investments Holdings Limited (a company listed on the Stock Exchange, stock code: 2086) since December 2017.

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.

Ms. Guo Yang (郭楊), aged 56, was appointed as an independent non-executive Director on 20 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chung Yi To (鍾詒杜), aged 51, 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 a responsible officer under the Securities and Futures Ordinance ("SFO") for Peace Town Financial Services Limited in respect of Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 5 (advising on futures contracts) regulated activities from 24 October 2014 to 5 March 2015. He 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. Yip Wai Man Raymond (葉偉文), aged 48, was appointed as an independent non-executive Director on 27 May 2016 and chairman of the Audit Committee on 30 June 2016. Mr. Yip obtained a Bachelor of Commerce from the Memorial University of Newfoundland in May 1994. He has been admitted by the Council of The University of New South Wales and the Senate of The University of Sydney with a degree of Master of Business Administration in October 2004. Mr. Yip became a member of the Institute of Chartered Accountants in Australia in January 2001, a certified general accountant of the Certified General Accountants' Association of Canada in September 1996 and an associate of the Hong Kong Society of Accountants in February 2002.

Mr. Yip has obtained over 14 years of experience in financial management. He worked for Ernst & Young from July 1996 to September 2001. Mr. Yip was employed by Fittec Electronics Co., Ltd. as a financial controller between February 2002 and December 2004. He worked for Funmobile Limited from February 2005 to September 2011 with last position of chief financial officer.

Mr. Yip had been a director of GPRO Technologies Berhad (now known as G Neptune Berhad), shares of which are listed on the ACE Market (GNB (0045)), Malaysia between November 2011 and March 2014 and a director of Industronics Berhad, shares of which are listed on the Main Market of Bursa Malaysia Securities Berhad (Itronic (9393)), Malaysia between January 2013 and February 2014.

Mr. Yip 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

SENIOR MANAGEMENT

Mr. Lee Kam Fai (李錦輝), aged 32, has been the chief financial officer of the Group since January 2016. Mr. Lee is responsible for the overall management of the Group's finance and accounting, taxation, treasury and investor relations. He graduated from The Hong Kong Polytechnic University with a bachelor's degree of business administration (Honors) in Accounting and Finance and is a member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience on the accounting and auditing profession. Prior to joining the Group, he worked as a financial controller in European Asia Industrial Limited and had extensive working experience in an international accounting firm.

Mr. Zuo Jie Hao (左結豪), aged 68, has joined our Group since June 2002. He is the deputy general manager and is responsible for the sales and marketing for the PRC and overseas 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).

Mr. Zhang Yao Ping (章耀平), aged 47, 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 professor of engineering (教授級高級工程師). 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).

** For identification purpose only*

The Directors are pleased to present to the shareholders this annual report and the audited consolidated financial statements for the Reporting Period.

GROUP REORGANIZATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 12 September 2012. On 15 March 2013, the Company became the holding company of the current subsidiary companies within the Group, which had undergone reorganization to rationalize its structure in preparation for the listing of the Shares on the Stock Exchange. On 12 July 2013, the Shares were listed on the Main Board of the Stock Exchange (the "Listing Date").

During the Reporting Period, there was no group reorganization.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 1 to the financial statements.

BUSINESS REVIEW

The business review of the Group for the Reporting Period is set out in the sections headed "Chairman's Statement", "Management and Discussion and Analysis", "Corporate Governance Report", "Environmental, Social and Governance Report" and "Financial Summary" on pages 4 to 28 and pages 115 to 116 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the Reporting Period and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 50 to 114.

No interim dividend was paid in the year of 2017. The Board has resolved to recommend a final dividend of HK1.07 cents per Share for the Reporting Period (2016: HK1.5 cents per Share) 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 20 April 2018 to 26 April 2018, 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 19 April 2018.

The register of members of the Company will be closed from 4 May 2018 to 8 May 2018, 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 3 May 2018.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on pages 115 to 116 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 16 to the financial statements.

DIRECTORS' REPORT

SHARE CAPITAL

Details of the movements in share capital of the Company during the Reporting Period are set out in note 29 to the 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

During the year ended 31 December 2017, (i) 333,532,000 new ordinary Shares were issued upon conversion of convertible notes; and (ii) 2,450,000 new ordinary shares were issued upon the exercise of share options by the share option holder under the pre-IPO share option scheme of the Company (the "Pre-IPO Share Option Scheme").

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the Reporting Period.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief or exemption available to the shareholders by reason of their holding of the Company's securities.

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

As at 31 December 2017, the Company's reserve available for distribution to owners was approximately HK\$677.5 million (2016: HK\$330.1 million). This includes the Company's share premium 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.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognizes the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the Reporting Period under review.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analyze on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

MAJOR SUPPLIERS AND CUSTOMERS

For the Reporting Period, purchases from the single largest supplier of the Group and the five largest suppliers of the Group in aggregate accounted for approximately 15.8% (2016: 10.9%) and 35.5% (2016: 29.8%) of the Group's total purchases respectively.

For the Reporting Period, sales to the single largest customer of the Group and the five largest customers of the Group in aggregate accounted for approximately 4.5% (2016: 3.5%) and 14.5% (2016: 14.9%) of the Group's total turnover respectively.

At all-time during the Reporting Period, none of the Directors or any of their close 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

The Directors in office during the Reporting Period and up to the date of this report are:

Executive Directors

Mr. Lin Wan Tsang (*Chairman*)

Mr. Dong Jiangxiong

Ms. Ko Sau Mee

Mr. Lin Hing Lung

Non-executive Director

Mr. Kwok Tak Wang

Independent non-executive Directors

Dr. Lin Tat Pang

Ms. Guo Yang

Mr. Chung Yi To

Mr. Yip Wai Man Raymond

Mr. Dong Jiangxiong, Mr. Lin Hing Lung and Mr. Kwok Tak Wang 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.

No Director proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Group within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' REPORT

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 29 to 32 of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year.

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

As at 31 December 2017, interests or short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the 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 Shares and underlying Shares of the shares options granted under the Pre-IPO Share Option Scheme

Names of Directors	Number of Ordinary Shares			Interests in underlying Shares	Share options (Note 1)	Total	Approximate percentage of the total issued Shares (Note 2)
	Beneficial owner	Interest of family	Interests in a controlled corporation	Share options			
Mr. Lin Wan Tsang ("Mr. Lin")	431,154,000	–	268,000,000 (Note 4)	–	699,154,000	74.84%	
Ms. Ko Sau Mee ("Mrs. Lin") (Note 3)	–	431,154,000	268,000,000 (Note 4)	–	699,154,000	74.84%	
Mr. Kwok Tak Wang	1,200,000	–	–	800,000	2,000,000	0.21%	

Notes:

- (1) These share options represent the awarded shares granted to the Directors under the Pre-IPO Share Option Scheme. Details of the Pre-IPO Share Option Scheme have been disclosed in the above section headed "Pre-IPO Share Option Scheme".
- (2) These percentages have been compiled based on the total number of issued Shares (i.e. 934,179,000 Shares) as at 31 December 2017.
- (3) The interest is held by Mr. Lin, as Mrs. Lin is the spouse of Mr. Lin, Mrs. Lin is deemed to be interested in all the Shares held by Mr. Lin by virtue of the SFO.
- (4) These Shares are held by Wellmass International Limited ("Wellmass"), which is wholly and beneficially owned by Mr. Lin. As Mrs. Lin is the spouse of Mr. Lin, Mrs. Lin is deemed to be interested in all the Shares held by Mr. Lin (through Wellmass) by virtue of the SFO.

(ii) Long positions in the underlying Shares of the convertible notes of the Company:

Name of the holder of the convertible notes	Principal amount of the convertible notes	Number of the total underlying Shares	Approximate percentage of the total issued Shares (Note 1)
Mr. Lin (Note 2)	276,145,440	255,690,222	27.37%

Notes:

1. These percentages have been complied based on the total number of issued Shares (i.e. 934,179,000 Shares) as at 31 December 2017.
2. These convertible notes were issued by the Company on 8 July 2015 as part of the consideration to the acquisition of Topspan Holdings Limited and its subsidiaries on 20 May 2015. They are unlisted, interest-free and convertible into the Shares at the conversion price of HK\$1.08 per Share. The interest is held by Mr. Lin, as Mrs. Lin is the spouse of Mr. Lin, Mrs. Lin is deemed to be interested in all the Shares held by Mr. Lin by virtue of the SFO.

Save as disclosed above, none of the Directors or chief executive of the Company and/or any of their respective close associates had registered any interests or short positions in any Shares, underlying Shares in, and debentures of, the Company or any associated corporations as at 31 December 2017, 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 2017, 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 of shareholder	Capacity/Nature of interests	Number of Shares held	Approximate percentage of issued Shares (Note 1)
Wellmass (Note 2)	Beneficial owner	268,000,000	28.69%

Notes:

- (1) These percentages have been complied based on the total number of issued Shares (i.e. 934,179,000 Shares) as at 31 December 2017.
- (2) Wellmass is a company incorporated in the British Virgin Islands, and is solely and beneficially owned by Mr. Lin. Mrs. Lin is the spouse of Mr. Lin and is therefore deemed to be interested in all the Shares held by Mr. Lin (through Wellmass) by virtue of the SFO.

DIRECTORS' REPORT

Save as disclosed above, as at 31 December 2017, 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 that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this report, no transactions, arrangements or contracts of significance to which the Company, its parent company, its subsidiaries or fellow subsidiaries were a party and in which a Director or his connected entities had a material interest, either directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

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.

INDEMNITY OF DIRECTORS

The Articles provide that the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses. The Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the Directors.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

As at 31 December 2017, the Directors were not aware of any business or interest of the Directors and their respective close 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.

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 "Pre-IPO 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 close associates nor was the Company, its parent company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors, or their respective close associates to acquire such rights in any other body corporate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding the Directors' securities transactions. All Directors have confirmed that, following specific enquiry by the Company, they have complied with the Model Code throughout the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the Reporting Period up to the date of this report.

EQUITY-LINKED AGREEMENTS

Details of equity-linked agreements entered during the Reporting Period or subsisting at the end of the Reporting Period are set out below:

CONVERTIBLE NOTES

Details of the convertible notes of the Company are set out in note 25 to the financial statements.

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

The Company conditionally adopted the Pre-IPO Share Option Scheme on 20 June 2013, which became effective on the Listing Date and options in respect of 17,490,000 Shares under the Pre-IPO Share Option Scheme had been granted on 21 June 2013. The Company also conditionally adopted a share option scheme on 20 June 2013 (the "Share Option Scheme"), which became effective on the Listing Date and no option had been granted by the Company up to the date of this report.

PRE-IPO SHARE OPTION SCHEME

The Group adopted the Pre-IPO Share Option Scheme on 20 June 2013 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 the Grantees. The total number of securities available for issue under the Pre-IPO Share Option Scheme is 1,031,000 Shares, representing approximately 0.11% of the issued Shares 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 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 fulfillment of certain conditions and ending on 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 fulfillment of certain conditions and ending on the Expiration Date (both dates inclusive)	40% of the total number of options granted to each of the Grantees

An option may be exercised in accordance with the terms of the Pre-IPO Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the Listing Date subject to the provisions of early termination thereof. Each of the Grantees is required to pay HK\$1.00 on acceptance of the options granted under the Pre-IPO Share Option Scheme.

DIRECTORS' REPORT

Set out below is further information on the outstanding options granted under the Pre-IPO Share Option Scheme as at 31 December 2017:

Names of the Grantees	Number of share options				Outstanding as at 31 December 2017	Exercise price per Share HK\$	Weighted average closing price of the Share before the date(s) of which shares options were exercised HK\$
	Outstanding as at 1 January 2017	Exercised during the year	Lapsed during the year	Cancelled during the year			
Directors							
Kwok Tak Wang	800,000	-	-	-	800,000	0.7	-
Chamlong Wachakorn (<i>Note 1</i>)	2,450,000	2,450,000	-	-	-	0.7	1.08
Sub-total	3,250,000	2,450,000	-	-	800,000		
Others							
Employees	231,000	-	-	-	231,000	0.7	-
Total	3,481,000	2,450,000	-	-	1,031,000		

Note:

- Mr. Chamlong Wachakorn resigned as an executive Director on 26 May 2016 and it was resolved that the exercise period of his share options be extended to 25 May 2018.

During the year ended 31 December 2017, there were 2,450,000 share options being exercised.

Save as disclosed, no options were granted, exercised, lapsed and cancelled under the Pre-IPO Share Option Scheme.

Share Option Scheme

The Company adopted the Share Option Scheme on 20 June 2013, which became effective on the Listing Date.

The Share Option Scheme is a share incentive scheme and is established to recognize and motivate the contributions that eligible participants have made or may make to the Group. The eligible participants include employees (whether full-time or part-time), directors of the Company or any subsidiary or any entity in which the Group holds at least 20% of its issued share capital (the "Invested Entity"), suppliers, customers, technological service providers, shareholders, consultants, joint venture or other business partners to any member of the Group or any Invested Entity. The eligible participants shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

Subject to the terms and conditions of the Share Option Scheme, the maximum numbers of shares in respect of which options may be granted under the Share Option Scheme and any other schemes shall not, in aggregate, exceed 10% of the shares in issue as at the Listing Date (i.e. 40,000,000 Shares) unless approved by the shareholders of the Company. No option shall be granted to any eligible participant which, if exercised in full would result in the total number of the Shares issued and to be issued upon exercise of the options already granted or to be granted to such eligible participant under the Share Option Scheme and the Pre-IPO Share Option Scheme (including exercised, cancelled and outstanding share 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. Any grant of further options above this limit shall be subject to the approval of the shareholders of the Company at general meeting.

The exercise price for any share option under the Share Option Scheme shall be a price determined by the Board and shall not be less than 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) an amount equivalent to the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the offer date of the relevant option; and (iii) the nominal value of a share on the offer date.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the offer date subject to the provisions of early termination thereof. A remittance of HK\$1 is payable on acceptance of the grant of an option.

Subject to earlier termination by the Company in general meeting or by the Directors, the Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption. The remaining life of the Share Option Scheme is five years. No share option has been granted under the Share Option Scheme and the total number of securities available for issue under the Share Option Scheme is 40,000,000 Shares, representing approximately 4.3% of the issued Shares as at the date of this report.

DIRECTORS' REPORT

CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 35 to the financial statements constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

For the Reporting Period, the Group entered into various transactions which constituted continuing connected transactions under Chapter 14A of the Listing Rules and are continuing after the Listing Date. All the continuing connected transactions during the Reporting Period 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 Reporting Period is set out below:

Connected Person	Nature of Transaction	Actual monetary value for the period from 1 January 2017 to 31 July 2017	Actual monetary value for the period from 1 August 2017 to 31 December 2017	Actual monetary value for the year ended 31 December 2017
		HK\$'000	HK\$'000	HK\$'000
Mr. Lin's Group ("Transaction")				
Guangzhou Euro Asia Aerosol & Household Products Manufacture Co., Ltd.*	Sales of products	7,402	4,795	12,197
European Asia Industrial Ltd.	Sales of products	2,978	2,275	5,253
Botny Car Service Management Company	Sales of products	154	46	200
	Total	<u>10,534</u>	<u>7,116</u>	<u>17,650</u>

Further information on transaction is provided as follows:

Mr. Lin's Group is including, but not limited to, European Asia Industrial Ltd., Guangzhou Euro Asia Aerosol & Household Products Manufacture Co., Ltd.* and Botny Car Service Management Company.

On 13 November 2015, the Company and Mr. Lin entered into the supply framework agreement whereby the Group shall supply to Mr. Lin's Group aluminum aerosol cans and car care service products from 13 November 2015 to 31 December 2017, which can be renewed after expiry on mutual agreement subject to compliance with the Listing Rules requirements (the "Supply Framework Agreement"). On 31 July 2017, the Company and Mr. Lin entered into the mutual agreement to terminate the Supply Framework Agreement. On the same date, the parties also entered into the new supply framework agreement (the "New Supply Framework Agreement"), pursuant to which the Group shall supply to Mr. Lin and his associates aluminum aerosol cans and car service products from 1 August 2017 to 31 December 2019. The selling price was determined with reference to the costs of products plus a profit margin, selling price offered to independent customers and of the same or comparable products in the market.

* For identification purpose only

The Directors have been carefully monitoring the historical amount of relevant transaction under the Supply Framework Agreement. Based on such historical amount of the relevant transaction and the anticipated continuing growth in the demand from Mr. Lin's Group, the Directors are of the view that the actual transaction amount for the year ending 31 December 2017 would exceed the relevant annual cap set out in the Supply Framework Agreement.

The Directors therefore proposed to terminate the Supply Framework Agreement and enter into the New Supply Framework Agreement with the term expiring on 31 December 2019. The New Supply Framework Agreement shall be subject to the annual caps with the aim to benefit the revenue growth and future development of the Group.

Save for the term of the New Supply Framework Agreement expiring on 31 December 2019 and the annual caps, there is no difference in major terms between the Supply Framework Agreement and the New Supply Framework Agreement.

As set out in the announcement of the Company dated 31 July 2017, the annual caps under the New Supply Framework Agreement for the five months ended 31 December 2017 and the two financial years ending 31 December 2018 and 31 December 2019 were HK\$15 million, HK\$29 million and HK\$32 million, respectively.

The relevant percentage ratios under the Listing Rules for the annual caps are, on an annual basis, less than 5%. Accordingly, pursuant to Rule 14A.76(2) of the Listing Rules, the New Supply Framework Agreement is only subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements.

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.56 of the Listing Rules and a copy of which has been provided by the Company to the Stock Exchange.

All independent non-executive Directors had reviewed the Transactions and confirmed that the Transactions for the Reporting Period were:

- (i) in the ordinary and usual course of the Company's business;
- (ii) on normal commercial terms or better to the Company; 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.

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.

FUTURE PROSPECTS AND DEVELOPMENT

Our management believes 2018 will be a difficult year for the Group due to (i) the uncertainty in the global economic environment; (ii) the slowdown of growth in consumable products and domestic demands in high-end personal care products in PRC; (iii) the volatile fluctuation of RMB against USD; and (iv) the increasing competition from small-sized overseas aerosol can manufacturers.

Whatever the market fluctuations may bring, our Group remains optimistic about the outlook of the worldwide and domestic aerosol can, aerosol and non-aerosol products manufacturing industry. Our Group will focus on developing sustainable manufacturing business while reinforcing its capabilities and strengths to provide our customers with stable, sustainable and more comprehensive service.

DIRECTORS' REPORT

AUDITOR

Ernst & Young, the auditor of the Company, will retire at the conclusion of the forthcoming AGM of the Company and be eligible to offer itself for re-appointment. A resolution will be submitted to the AGM to be held on 26 April 2018 to seek shareholders' approval on the appointment of Ernst & Young as the Company's auditor until the conclusion of the next AGM and to authorize the Board to fix its remuneration.

By order of the Board

Lin Wan Tsang

Chairman and executive Director

Hong Kong, 28 February 2018



Building a better
working world

To the shareholders of China Aluminum Cans Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Aluminum Cans Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 50 to 114, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key audit matters

Impairment assessment of trade and bills receivables

Trade and bills receivable balances were significant to the Group which amounted to HK\$64,671,000 and represented approximately 8.7% of the total assets in the consolidated statement of financial position as at 31 December 2017. Assessment of the recoverability of trade and bills receivables involves a high level of management judgement. During the year, specific factors that management considered in the estimation of the impairment provision included the aging of the balances, type of customers, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. Management used these types of information to determine whether provisions for impairment were required.

The relevant disclosures are contained in notes 9 and 19 to the consolidated financial statements.

Inventory provisions

The Group had inventories of HK\$86,085,000 as at 31 December 2017 which represented a significant balance. Significant management judgement was required to assess whether the carrying amount of these inventories was higher than the net realisable value. Judgements were also required in adequately determining the damaged, slow-moving and obsolete inventories as these were based on forecasted inventory usage or sales.

The relevant disclosures are contained in notes 9 and 18 to the consolidated financial statements.

How our audit addressed the key audit matters

We evaluated the Group's processes and controls relating to the monitoring of the recoverability of trade receivables. We obtained financial data with respect to the aging position of the Group's aggregate trade receivables and re-assessed independently the credit risks to the corresponding classes of the aged debts by comparing to the Group's historical default records. We obtained evidence of subsequent receipts from the trade receivables. We also evaluated the adequacy of the disclosures of the trade and bills receivables and the related credit risk management.

We obtained an understanding from management about their process of identifying the damaged, slow-moving and obsolete inventories and calculating the provisions. We assessed the provisions by comparing the aging of inventories and the subsequent usage and sales of inventories. We recalculated the realisable value of inventories to verify the adequacy of provisions. We also observed the status of inventories in stock-take to inspect obsolete and damaged inventories.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key audit matters

Current and deferred taxation

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. During the year, the Group evaluated tax implications of transactions in accordance with prevailing tax regulations and made tax provisions accordingly.

The relevant disclosures are contained in notes 13 and 28 to the consolidated financial statements.

How our audit addressed the key audit matters

In assessing the current tax and deferred tax, we:

- (1) obtained an understanding of the Group's income tax process;
- (2) re-calculated the tax liability with the assistance of our internal tax experts;
- (3) tested the calculations of deferred tax assets and assessed the recoverability of the deferred tax assets. We evaluated management's estimation regarding the future taxable income to be generated and the utilisation of the temporary differences;
- (4) tested the calculations of deferred tax liabilities. We obtained the board minutes related to the dividends likely to be declared by the subsidiaries in Mainland China; and
- (5) considered the disclosures regarding current and deferred taxation.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

(continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ringo Choi.

Ernst & Young

Certified Public Accountants

22/F, CITIC Tower

1 Tim Mei Avenue

Central,

Hong Kong

28 February 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
REVENUE	8	701,823	696,344
Cost of sales		(489,171)	(451,732)
Gross profit		212,652	244,612
Other income and gains	8	12,796	19,705
Selling and distribution expenses		(56,357)	(59,333)
Administrative expenses		(47,436)	(44,735)
Research and development expenses		(29,616)	(29,034)
Other expenses		(13,114)	(5,747)
Finance costs	10	(371)	(2,430)
PROFIT BEFORE TAX	9	78,554	123,038
Income tax expenses	13	(11,430)	(27,753)
PROFIT FOR THE YEAR		67,124	95,285
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		40,174	(33,486)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		107,298	61,799
Profit attributable to:			
Owners of the parent		66,650	94,833
Non-controlling interests		474	452
		67,124	95,285
Total comprehensive income attributable to:			
Owners of the parent		106,493	61,347
Non-controlling interests		805	452
		107,298	61,799
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	15		
Basic		HK9.2 cents	HK15.3 cents
Diluted		HK8.4 cents	HK12.0 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	321,797	319,120
Prepaid land lease payments	17	66,347	63,346
Deferred tax assets	28	1,995	1,552
Non-current prepayments	20	4,678	4,483
Total non-current assets		394,817	388,501
CURRENT ASSETS			
Inventories	18	86,085	67,823
Trade and bills receivables	19	64,671	58,496
Prepayments, deposits and other receivables	20	16,133	11,252
Due from related parties		15,310	7,521
Pledged bank deposits	21	8,178	8,232
Cash and cash equivalents	21	159,352	122,376
Total current assets		349,729	275,700
CURRENT LIABILITIES			
Trade and bills payables	22	61,332	62,272
Other payables and accruals	23	61,440	56,498
Interest-bearing bank borrowings	24	128	13,465
Tax payable		1,666	5,484
Due to related parties		—	385
Deferred income	27	594	285
Total current liabilities		125,160	138,389
NET CURRENT ASSETS		224,569	137,311
TOTAL ASSETS LESS CURRENT LIABILITIES		619,386	525,812
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	24	—	5,084
Deferred tax liabilities	28	2,213	897
Deferred income	27	2,724	2,423
Total non-current liabilities		4,937	8,404
Net assets		614,449	517,408

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	29	9,342	5,982
Equity component of Convertible Notes	25	276,146	636,360
Reserves	31	324,041	(129,049)
		609,529	513,293
Non-controlling interests		4,920	4,115
Total equity		614,449	517,408

.....
Lin Wan Tsang

Director

.....
Ko Sau Mee

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the parent												
	Share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Merger reserve HK\$'000	Share option reserve HK\$'000	Equity component of Convertible Notes HK\$'000	Reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Proposed final dividends HK\$'000	Total equity HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2017	5,982	330,885	111,196	(889,089)	3,136	636,360	67,571	(31,616)	269,895	8,973	513,293	4,115	517,408
Profit for the year	—	—	—	—	—	—	—	—	66,650	—	66,650	474	67,124
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	39,843	—	—	39,843	331	40,174
Total comprehensive income for the year	—	—	—	—	—	—	—	39,843	66,650	—	106,493	805	107,298
Exercise the conversion rights attached to the Convertible Notes	3,335	356,879	—	—	—	(360,214)	—	—	—	—	—	—	—
Exercise of share options	25	2,720	—	—	(1,029)	—	—	—	—	—	1,716	—	1,716
Transfer from retained profits	—	—	—	—	—	—	7,174	—	(7,174)	—	—	—	—
Dividends paid	—	(3,000)	—	—	—	—	—	—	—	(8,973)	(11,973)	—	(11,973)
Proposed dividends	—	(9,998)	—	—	—	—	—	—	—	9,998	—	—	—
At 31 December 2017	9,342	677,486 ⁵	111,196 ⁶	(889,089) ⁷	2,107 ⁸	276,146	74,745 ⁵	8,227 ⁹	329,371 ¹⁰	9,998 ¹¹	609,529	4,920	614,449

Note:

These reserve accounts comprise the credit consolidated reserves of HK\$324,041,000 as at 31 December 2017 (31 December 2016: debit consolidated reserves of HK\$129,049,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the parent										Total equity HK\$'000		
	Share capital HK\$'000 (note 29)	Share premium account HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Merger reserve HK\$'000	Share option reserve HK\$'000	Equity component of Convertible Notes HK\$'000	Reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000		Proposed final dividends HK\$'000	Total HK\$'000
At 1 January 2016	6,241	394,704	111,196	(889,089)	4,446	645,000	56,039	1,870	186,594	13,731	530,732	3,929	534,661
Profit for the year	—	—	—	—	—	—	—	—	94,833	—	94,833	452	95,285
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(33,486)	—	—	(33,486)	—	(33,486)
Total comprehensive income for the year	—	—	—	—	—	—	—	(33,486)	94,833	—	61,347	452	61,799
Exercise the conversion rights attached to the Convertible Notes	80	8,560	—	—	—	(8,640)	—	—	—	—	—	—	—
Exercise of share options	31	3,801	—	—	(1,637)	—	—	—	—	—	2,195	—	2,195
Shares repurchased and cancelled	(370)	(68,406)	—	—	—	—	—	—	—	—	(68,776)	—	(68,776)
Transfer from retained profits	—	—	—	—	—	—	11,632	—	(11,632)	—	—	—	—
Equity-settled share option arrangements	—	—	—	—	—	—	—	—	—	—	327	—	327
Interim dividend	—	(8,610)	—	—	—	—	—	—	—	—	(8,610)	—	(8,610)
Dividends paid	—	(191)	—	—	—	—	—	—	—	(13,731)	(13,922)	(266)	(14,188)
Proposed dividends	—	(8,973)	—	—	—	—	—	—	—	8,973	—	—	—
At 31 December 2016	5,982	330,885*	111,196*	(889,089)*	3,136*	636,360	67,571*	(31,616)*	269,895*	8,973*	513,293	4,115	517,408

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		78,554	123,038
Adjustments for:			
Finance costs	10	371	2,430
Bank interest income	8	(220)	(304)
Fair value losses, net:			
Derivative instruments – transactions not qualifying as hedges	9	—	383
Loss on disposal of items of property, plant and equipment	9	1,818	90
Share option expense	30	—	327
Depreciation	16	35,697	31,486
Amortisation of prepaid land lease payments	17	1,720	1,743
Write-down of inventories to net realisable value	9	690	1,320
Impairment of trade receivables	9	1,008	1,020
		119,638	161,533
Increase in inventories		(18,952)	(3,830)
(Increase)/Decrease in trade and bills receivables		(7,183)	9,900
(Increase)/Decrease in prepayments, deposits and other receivables		(4,881)	2,173
Decrease in trade and bills payables		(940)	(536)
Increase in other payables and accruals		4,942	2,524
Increase in amounts due from related parties		(7,789)	(4,965)
Decrease in amounts due to related parties		(385)	(3,215)
Receipt of government grants		646	3,072
Cash generated from operations		85,096	166,656
Withholding tax paid		(1,071)	(1,030)
Tax paid		(13,790)	(27,596)
Net cash flows from operating activities		70,235	138,030

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Net cash flows from operating activities		70,235	138,030
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(17,818)	(55,306)
Proceeds from disposal of items of property, plant and equipment		70	(4)
Decrease in pledged deposits		54	215
Interest received from bank deposits		220	304
Net cash flows used in investing activities		(17,474)	(54,791)
CASH FLOWS FROM FINANCING ACTIVITIES			
Exercise of share options		1,716	2,195
Repayment of bank loans		(18,773)	(42,535)
Interest paid		(371)	(2,430)
Dividends paid to non-controlling interests		—	(266)
Dividends paid to owners of the parent		(11,973)	(22,532)
Shares repurchased and cancelled		—	(58,776)
Net cash flows used in financing activities		(29,401)	(124,344)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		23,360	(41,105)
Exchange realignment		13,616	(16,070)
Cash and cash equivalents at beginning of year		122,376	179,551
CASH AND CASH EQUIVALENTS AT END OF YEAR	21	159,352	122,376
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	167,530	130,608
Pledged bank deposits		(8,178)	(8,232)
Cash and cash equivalents as stated in the consolidated statement of cash flows		159,352	122,376

NOTES TO FINANCIAL STATEMENTS

31 December 2017

1. CORPORATE AND GROUP 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, the content filling of aerosol cans, and the production and sale of aerosol products and non-aerosol products. There were 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 these financial statements, the immediate holding company and ultimate holding company of the Company is Wellmass International Limited ("Wellmass"), a company incorporated in the British Virgin Islands ("BVI").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and place of 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\$1,001	—	100	Trading of aluminum aerosol cans
Euro Asia Packaging (Hong Kong) Co., Limited	Hong Kong 18 November 2013	HK\$1,000,000	—	100	Trading of aluminum aerosol cans
Euro Asia Packaging (Guangdong) Co., Ltd. ("Euro Asia Packaging") (廣東歐亞包裝有限公司)*	Mainland China 27 June 2002	RMB125,000,000	—	98.6	Manufacture and sale of aluminum aerosol cans
European Asia Group Company Limited	Hong Kong 2 April 2005	HK\$1,500,000	—	98.6	Trading of aluminum aerosol cans
Guangzhou Botny Chemical Co., Ltd. ("Botny Chemical") (廣州保賜利化工有限公司)	Mainland China 30 August 2000	US\$11,400,000	—	100	Content filling of aerosol cans and production and sale of aerosol and non-aerosol products
Botny Corporation Limited	Hong Kong 3 June 2013	HK\$1,001	—	100	Trading of aerosol and non-aerosol products
Botny Hongkong Co., Limited	Hong Kong 9 June 2010	US\$100,000	—	100	Trading of aerosol and non-aerosol products
Guangzhou Shentian Woye Trading Company Limited ("Guangzhou Shentian") (廣州深田沃業貿易有限公司)	Mainland China 5 May 2014	RMB10,000,000	—	100	Investment holding
Topspan Holdings Limited	BVI 3 July 2012	US\$1	—	100	Investment holding
Euro Asia Japan Co., Ltd. (株式会社ユーロアジア・ジャパン)	Japan 6 January 2016	JPY9,000,000	—	100	Trading of aerosol and non-aerosol products

NOTES TO FINANCIAL STATEMENTS

31 December 2017

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Company name	Place and date of incorporation/ registration and place of business	Issued capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Super Sight International Investment Limited	BVI 1 November 2017	US\$1	—	100	Investment holding
China Medical Beauty Bio-Technology Company Limited (中國醫美生物科技有限公司)	Hong Kong 14 November 2017	HK\$10,000	—	100	Investment holding

* *Non-wholly-owned foreign enterprise under law of the People Republic of China (the "PRC")*

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB").

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2017. 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:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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 interests, 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.

2. BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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 above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 7	<i>Disclosure Initiative</i>
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to IFRS 12 included in <i>Annual improvements to IFRSs 2014-2016 cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12</i>

The adoption of the above revised standards has had no significant financial effect on these consolidated financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

4. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions¹</i>
Amendments to IFRS 4 IFRS 9	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts¹ Financial Instruments¹</i>
Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation²</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
IFRS 15	<i>Revenue from Contracts with Customers¹</i>
Amendments to IFRS 15	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers¹</i>
IFRS 16	<i>Leases²</i>
Amendments to IAS 40	<i>Transfers of Investment Property¹</i>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration¹</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments²</i>
<i>Annual Improvements 2014-2016 Cycle</i>	<i>Amendments to IFRS 1 and IAS 28¹</i>

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ No mandatory effective date yet determined but available for adoption

NOTES TO FINANCIAL STATEMENTS

31 December 2017

4. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

(continued)

Further information about those IFRSs that are expected to be applicable to the Group is described follows:

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt IFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of IFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at amortised cost all financial assets currently held at amortised costs. It expects to continue measuring at fair value all financial assets currently held at fair value.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group has determined that the standard is not expected to have any significant impact on the Group's financial statements upon the initial adoption of the standard.

4. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

(continued)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

IFRS 15, issued in May 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group will adopt IFRS 15 from 1 January 2018 and plans to adopt the full retrospective approach. During 2017, the Group has performed a detailed assessment on the impact of the adoption of IFRS 15.

The Group's principal activities comprise the manufacture and sale of aluminum aerosol cans, the content filing of aerosol cans, and the production and sale of aerosol products and non-aerosol products. Upon the adoption of IFRS 15, revenue from the sale of products will be recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The standard is not expected to have any significant impact on the Group's financial statements upon the initial adoption of the standard.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

4. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

(continued)

IFRS 16, issued in May 2016, replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases - Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 from 1 January 2019. The Group does not expect that the adoption of IFRS 16 will have an impact on the financial position or performance of the Group.

Amendments to IAS 40, issued in December 2016, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

IFRIC 22, issued in December 2016, provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

4. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

(continued)

IFRIC 23, issued in June 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The amendments are not expected to have any significant impact on the Group's financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

Fair value measurement *(continue)*

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.

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 reporting 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);
 - (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); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

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

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%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. 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 are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds 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. Assets 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 profit or loss 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.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

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

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

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.

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 changes in fair value presented as other expenses in the statement of profit or loss and comprehensive income. These net fair value changes do 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 rate method less any allowance for impairment. Amortised 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 loss arising from impairment is recognised in other expenses for receivables.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

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 asset. 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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).

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Impairment of financial assets** *(continued)***Financial assets carried at amortised cost** *(continued)*

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount 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 and all collateral has been realised or has been transferred to the Group.

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 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 or 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 and bills payables, other payables and accruals, interest-bearing bank borrowings and amounts due to related parties.

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 repurchasing 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. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

Financial liabilities *(continued)*

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 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.

Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible notes exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible notes are measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible notes based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately 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 profit or loss.

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.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

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 consolidated 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

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.

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 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 goodwill or 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, when 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Income tax** *(continued)*

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 and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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 or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

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; and
- (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 or a shorter period, when appropriate, to the net carrying amount of the financial asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

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 30 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. 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 profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether 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.

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 non-vesting 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***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 profit or loss 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 profit or loss 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

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The financial statements are presented in Hong Kong dollars, which is the Company's functional currency. 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 translated 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 profit or loss.

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. Non-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).

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

Foreign currencies *(continued)*

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars 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 profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

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 profits 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 liabilities are recognised for withholding tax levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. Significant management judgement is required to determine the amount of deferred tax liabilities that can be recognised, based upon the likely dividends to be 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 2017 and 2016 were HK\$321,797,000 and HK\$319,120,000, respectively. Further details are given in note 16.

Write-down of inventories to net realisable value

A write-down of inventories to net realisable value is made based on the estimated net realisable value of the inventories. The assessment of the write-down required involves management's judgement and estimates on market conditions. Where the actual outcome or expectation in future is different from the original estimate, the differences will have an impact on the carrying amounts of inventories and the write-down/write-back of inventories in the period in which the estimate has been changed.

Impairment allowances for trade receivables and other receivables

The Group estimates the impairment allowances for trade receivables and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade receivables and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, the difference will affect the carrying amounts of trade receivables and other receivables and thus the impairment loss in the period in which the estimate is changed. The Group reassesses the impairment allowance at the end of each reporting period.

Impairment of non-financial assets (other than goodwill)

The Group assesses at each reporting date whether there is any 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

7. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of aluminum aerosol cans mainly for the packaging of household chemical products, the content filling of aerosol cans, and the production and sale of aerosol and non-aerosol products.

For management purposes, the Group is organised into business units based on their products and services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged bank deposits, cash and cash equivalents, derivative financial instruments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank borrowings, amount due to related parties, Convertible Notes, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2017	Aluminum aerosol cans HK\$'000	Aerosol and non-aerosol products HK\$'000	Total HK\$'000
Segment revenue:			
Sales to customers	249,873	451,950	701,823
Intersegment sales	1,345	—	1,345
Total	251,218	451,950	703,168
Reconciliation:			
Elimination of intersegment sales			(1,345)
Revenue			701,823
Segment results	36,856	43,688	80,544
Reconciliation:			
Interest income			220
Corporate and other unallocated expenses			(1,839)
Finance costs			(371)
Profit before tax			78,554

NOTES TO FINANCIAL STATEMENTS

31 December 2017

7. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2017	Aluminum aerosol cans HK\$'000	Aerosol and non-aerosol products HK\$'000	Total HK\$'000
Segment assets	367,126	252,442	619,568
Reconciliation:			
Elimination of intersegment receivables			(44,809)
Corporate and other unallocated assets			169,787
Total assets			744,546
Segment liabilities	54,936	112,501	167,437
Reconciliation:			
Elimination of intersegment payables			(44,674)
Corporate and other unallocated liabilities			7,334
Total liabilities			130,097
Other segment information:			
Depreciation and amortisation	23,567	13,850	37,417
Capital expenditure	7,601	10,217	17,818
Impairment of trade receivables recognised in the consolidated statement of profit or loss and other comprehensive income	74	934	1,008
Write-down of inventories to net realisable value recognised in the consolidated statement of profit or loss and other comprehensive income	690	—	690

NOTES TO FINANCIAL STATEMENTS

31 December 2017

7. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2016	Aluminum aerosol cans HK\$'000	Aerosol and non-aerosol products HK\$'000	Total HK\$'000
Segment revenue:			
Sales to customers	217,896	478,448	696,344
Intersegment sales	36,657	6,827	43,484
Total	254,553	485,275	739,828
Reconciliation:			
Elimination of intersegment sales			(43,484)
Revenue			696,344
Segment results			
	39,927	85,826	125,753
Reconciliation:			
Interest income			304
Corporate and other unallocated expenses			(589)
Finance costs			(2,430)
Profit before tax			123,038

NOTES TO FINANCIAL STATEMENTS

31 December 2017

7. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2016	Aluminum aerosol cans HK\$'000	Aerosol and non-aerosol products HK\$'000	Total HK\$'000
Segment assets	354,420	224,772	579,192
Reconciliation:			
Elimination of intersegment receivables			(48,023)
Corporate and other unallocated assets			133,032
Total assets			664,201
Segment liabilities	47,289	119,790	167,079
Reconciliation:			
Elimination of intersegment payables			(47,924)
Corporate and other unallocated liabilities			27,638
Total liabilities			146,793
Other segment information:			
Depreciation and amortisation	20,377	12,852	33,229
Capital expenditure	44,474	10,832	55,306
Impairment of trade receivables recognised in the consolidated statement of profit or loss and other comprehensive income	1,828	512	2,340
Write-down of inventories to net realisable value recognised in the consolidated statement of profit or loss and other comprehensive income	1,320	—	1,320

NOTES TO FINANCIAL STATEMENTS

31 December 2017

7. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2017 HK\$'000	2016 HK\$'000
Mainland China	546,696	505,301
Africa	12,802	17,441
America	8,715	12,055
Asia	30,222	21,177
Middle East	16,889	25,946
Japan	82,742	109,115
Others	3,757	5,309
	701,823	696,344

The revenue information above is based on the shipment destinations.

(b) Non-current assets

	2017 HK\$'000	2016 HK\$'000
Japan	66	87
Hong Kong	342	562
Mainland China	392,414	386,300
	392,822	386,949

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

Information about major customers

Since no revenue from sales to any customer amounted to 10% or more of the Group's revenue during the year, information about major customers required by IFRS 8 *Operating Segments* is not presented.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

8. REVENUE, OTHER INCOME AND GAINS

Revenue 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:

	2017 HK\$'000	2016 HK\$'000
Revenue		
Sale of goods	701,823	696,344
Other income and gains		
Sale of scrap materials	3,735	2,985
Bank interest income	220	304
Government grants:		
– Related to assets*	256	299
– Related to income**	1,811	3,072
Foreign exchange differences, net	—	5,523
Income from research and development design	4,295	6,049
Service income	812	—
Others	1,667	1,473
	12,796	19,705

* 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 statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

** Various government grants of HK\$1,811,000 (2016: HK\$3,072,000) represent cash payments and subsidies provided by the local government authorities to the Group as an encouragement for its technological innovation and overseas sales. There are no unfulfilled conditions or contingencies relating to these grants.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

9. PROFIT BEFORE TAX

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

	Notes	2017 HK\$'000	2016 HK\$'000
Cost of inventories sold		489,171	451,732
Depreciation	16	35,697	31,486
Amortisation of prepaid land lease payments	17	1,720	1,743
Auditor's remuneration		2,523	2,270
Research and development costs		29,616	29,034
Minimum lease payments under operating leases		1,598	1,441
Employee benefit expense (including Directors' and chief executive's remuneration (note 11)):			
Wages and salaries		63,448	59,219
Pension scheme contributions		5,722	5,550
Equity-settled share option expenses		—	327
		69,170	65,096
Fair value losses, net:			
Derivative instruments – transactions not qualifying as hedges*		—	383
Exchange gains/(losses),net**		6,957	(5,523)
Loss on disposal of items of property, plant and equipment*		1,818	90
Impairment of trade receivables*		1,008	1,020
Write-down of inventories to net realisable value*		690	1,320

* Included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

** Included in "Other income and gains" or "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

10. FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
Interest on bank loans wholly repayable within five years	362	2,413
Interest on a finance lease	9	17
	371	2,430

NOTES TO FINANCIAL STATEMENTS

31 December 2017

11. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383 (1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017 HK\$'000	2016 HK\$'000
Fees	3,341	2,731
Other emoluments:		
Salaries, allowances and benefits in kind	538	601
Equity-settled share option expenses	—	190
Pension scheme contributions	54	47
	592	838
Total	3,933	3,569

(a) Independent Non-executive Directors

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

	2017 HK\$'000	2016 HK\$'000
Mr. Yip Wai Man Raymond	182	98
Mr. Leung Man Fai	—	76
Dr. Lin Tat Pang	182	159
Ms. Guo Yang	182	159
Mr. Chung Yi To	182	159
	728	651

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

11. DIRECTORS' REMUNERATION *(continued)*

(b) Executive Directors and a Non-executive Director

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Equity-settled share option expenses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2017					
Executive Directors:					
Mr. Lin Wan Tsang	1,003	302	—	18	1,323
Ms. Ko Sau Mee	500	—	—	18	518
Mr. Dong Jiangxiong	330	—	—	—	330
Mr. Lin Hing Lung	384	236	—	18	638
	2,217	538	—	54	2,809
Non-executive Director:					
Mr. Kwok Tak Wang	396	—	—	—	396
	2,613	538	—	54	3,205
2016					
Executive Directors:					
Mr. Lin Wan Tsang	782	362	—	18	1,162
Ms. Ko Sau Mee	300	—	—	15	315
Mr. Dong Jiangxiong	225	—	—	—	225
Mr. Lin Hing Lung	288	239	—	14	541
Mr. Chamlong Wachakorn	125	—	121	—	246
	1,720	601	121	47	2,489
Non-executive Director:					
Mr. Kwok Tak Wang	360	—	69	—	429
	2,080	601	190	47	2,918

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 nil Director (2016: one), details of whose remuneration are set out in note 11 above. Details of the remuneration for the year of the five (2016: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries, allowances and benefits in kind	2,878	3,118
Equity-settled share option expenses	—	35
Pension scheme contributions	45	148
	2,923	3,301

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

	2017	2016
Nil to HK\$1,000,000	4	3
HK\$1,000,001 to HK\$1,500,000	1	1
	5	4

During the year, there were no non-director highest paid employees (2016: one) who were granted share options in 2013 in respect of his service to the Group, further details of which are included in the disclosures in note 30 to the financial statements. The fair value of these options, which has been recognised in 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 year is included in the above non-director, highest paid employees' remuneration disclosures.

13. INCOME TAX EXPENSES

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 operate.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempt from the payment of the Cayman Islands income tax.

Pursuant to the rules and regulations of the BVI, the Group is not subject to any tax in the BVI.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year 2017 (2016: 16.5%).

NOTES TO FINANCIAL STATEMENTS

31 December 2017

13. INCOME TAX EXPENSES *(continued)*

Pursuant to the PRC Income Tax Law and the respective regulations, subsidiaries of the Group operating in Mainland China are subject to Corporate Income Tax ("CIT") at a rate of 25% on the taxable income. Preferential tax treatment is available to the Group's operating subsidiaries, Euro Asia Packaging and Botny Chemical, since they were recognised as High Technology Enterprises and are entitled to a preferential tax rate of 15% for the years 2017 and 2016.

	2017 HK\$'000	2016 HK\$'000
Current – Mainland China	10,622	19,852
Current – Hong Kong	(195)	7,247
Deferred (note 28)	1,003	654
Total tax charge for the year	11,430	27,753

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

	2017		2016	
	HK\$'000	%	HK\$'000	%
Profit before tax	78,554		123,038	
Tax at the statutory tax rate	19,638	25.0	30,760	25.0
Entities subject to lower statutory income tax rates	(8,281)	(10.5)	(13,086)	(10.6)
Effect of withholding tax on distributable profits of PRC subsidiaries	1,316	1.7	897	0.7
Expenses not deductible for tax	252	0.3	7,540	6.1
Adjustment in respect of current tax of previous years	(3,008)	(3.8)	(976)	(0.8)
Tax losses not recognised	1,513	1.9	2,618	2.1
Tax charge at the Group's effective tax rate	11,430	14.6	27,753	22.6

14. DIVIDENDS

	2017 HK\$'000	2016 HK\$'000
Interim dividend – Nil (2016: HK1.4 cents) per ordinary share	—	8,610
Proposed final dividend – HK1.07 cents (2016: HK1.5 cents) per ordinary share	9,998	8,973
	9,998	17,583

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 727,437,416 (2016: 618,057,142) in issue during the year.

The calculation of the diluted earnings per share amount is based on the 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 or conversion of all dilutive potential ordinary shares into ordinary shares.

	2017 HK\$'000	2016 HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	66,650	94,833

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	727,437,416	618,057,142
Effect of dilution – weighted average number of ordinary shares:		
Share options	1,273,060	3,300,904
Convertible Notes	66,015,283	168,828,131
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	794,725,759	790,186,177

NOTES TO FINANCIAL STATEMENTS

31 December 2017

16. PROPERTY, PLANT AND EQUIPMENT

	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 2017						
At 1 January 2017:						
Cost	136,174	322,847	18,008	14,528	—	491,557
Accumulated depreciation	(42,084)	(113,643)	(8,812)	(7,898)	—	(172,437)
Net carrying amount	94,090	209,204	9,196	6,630	—	319,120
At 1 January 2017, net of accumulated depreciation	94,090	209,204	9,196	6,630	—	319,120
Additions	2,886	6,479	1,291	275	6,692	17,623
Disposals	—	(1,756)	(129)	(3)	—	(1,888)
Depreciation provided during the year (note 9)	(10,645)	(21,914)	(1,935)	(1,203)	—	(35,697)
Transfers	—	3,120	—	—	(3,120)	—
Exchange realignment	6,681	15,243	351	364	—	22,639
At 31 December 2017, net of accumulated depreciation	93,012	210,376	8,774	6,063	3,572	321,797
At 31 December 2017:						
Cost	149,363	349,889	20,363	15,121	3,572	538,308
Accumulated depreciation	(56,351)	(139,513)	(11,589)	(9,058)	—	(216,511)
Net carrying amount	93,012	210,376	8,774	6,063	3,572	321,797

NOTES TO FINANCIAL STATEMENTS

31 December 2017

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	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 2016						
At 1 January 2016:						
Cost	137,788	262,800	14,877	11,859	19,910	447,234
Accumulated depreciation	(34,523)	(101,907)	(8,174)	(6,723)	—	(151,327)
Net carrying amount	103,265	160,893	6,703	5,136	19,910	295,907
At 1 January 2016, net of accumulated depreciation	103,265	160,893	6,703	5,136	19,910	295,907
Additions	4,388	5,298	2,949	2,808	56,622	72,065
Disposals	—	(44)	(41)	(1)	—	(86)
Depreciation provided during the year (note 9)	(9,722)	(19,389)	(1,329)	(1,046)	—	(31,486)
Transfers	2,160	71,797	1,286	—	(75,243)	—
Exchange realignment	(6,001)	(9,351)	(372)	(267)	(1,289)	(17,280)
At 31 December 2016, net of accumulated depreciation	94,090	209,204	9,196	6,630	—	319,120
At 31 December 2016:						
Cost	136,174	322,847	18,008	14,528	—	491,557
Accumulated depreciation	(42,084)	(113,643)	(8,812)	(7,898)	—	(172,437)
Net carrying amount	94,090	209,204	9,196	6,630	—	319,120

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 motor vehicles was HK\$341,809 as at 31 December 2017 (2016: HK\$561,544).

Certain of the Group's interest-bearing bank borrowings were secured by the Group's buildings with a carrying value of HK\$50,845,000 as at 31 December 2017 (2016: HK\$51,830,000) (note 24).

Certain of the Group's interest-bearing bank borrowings were secured by the Group's plant and machinery with a carrying value of HK\$69,409,000 as at 31 December 2017 (2016: HK\$71,095,000) (note 24).

NOTES TO FINANCIAL STATEMENTS

31 December 2017

17. PREPAID LAND LEASE PAYMENTS

	2017 HK\$'000	2016 HK\$'000
Carrying amount at 1 January	65,012	71,274
Recognised during the year (note 9)	(1,720)	(1,743)
Exchange realignment	4,848	(4,519)
Carrying amount at 31 December	68,140	65,012
Current portion included in prepayments, deposits and other receivables	(1,793)	(1,666)
Non-current portion	66,347	63,346

Certain of the Group's interest-bearing bank borrowings were secured by the Group's prepaid land lease payments with a carrying value of HK\$60,948,000 as at 31 December 2017 (2016: HK\$8,470,000) (note 24).

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

18. INVENTORIES

	2017 HK\$'000	2016 HK\$'000
Raw materials	41,006	33,715
Work in progress	5,021	3,117
Finished goods	40,058	30,991
	86,085	67,823

19. TRADE AND BILLS RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Trade receivables	57,747	47,661
Impairment	(5,146)	(3,809)
Trade receivables, net	52,601	43,852
Bills receivables	12,070	14,644
	64,671	58,496

NOTES TO FINANCIAL STATEMENTS

31 December 2017

19. TRADE AND BILLS RECEIVABLES *(continued)*

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 receivables 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:

	2017 HK\$'000	2016 HK\$'000
Within 30 days	31,186	20,311
31 to 60 days	10,867	7,505
61 to 90 days	2,399	3,226
Over 90 days	8,149	12,810
	52,601	43,852

The movements in provision for impairment of trade receivables are as follows:

	2017 HK\$'000	2016 HK\$'000
At 1 January	3,809	3,032
Impairment losses recognised	1,008	1,020
Exchange realignment	329	(243)
At 31 December	5,146	3,809

NOTES TO FINANCIAL STATEMENTS

31 December 2017

19. TRADE AND BILLS RECEIVABLES *(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:

	Total HK\$'000	Neither past due nor impaired HK\$'000	Past due but not impaired	
			Less than 90 days HK\$'000	Over 90 days HK\$'000
31 December 2017	52,601	42,053	2,399	8,149
31 December 2016	43,852	27,816	3,226	12,810

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 of the Company 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.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Non-current prepayments	4,678	4,483
Current assets		
Prepayments	10,794	7,288
Tax recoverable	31	97
Deposits and other receivables	5,308	3,867
	16,133	11,252

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2017 HK\$'000	2016 HK\$'000
Cash and bank balances	167,530	130,608
Less: Pledged deposits		
Pledged for letters of credit	(2,761)	(2,645)
Pledged for acceptance bills	(5,417)	(5,587)
Cash and cash equivalents	159,352	122,376
Cash and bank balances denominated in		
— Renminbi ("RMB")	39,229	35,380
— United States dollars ("US\$")	115,382	80,181
— Japanese yen ("JPY")	590	1,749
— Hong Kong dollars ("HK\$")	3,413	4,752
— Euros ("EUR")	738	314
Cash and cash equivalents	159,352	122,376

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 authorised to conduct foreign exchange business.

Pledged bank deposits represent balances pledged to banks for the Group's acceptance bills and letters of credit.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

22. TRADE AND BILLS PAYABLES

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

	2017 HK\$'000	2016 HK\$'000
Within 30 days	35,988	37,190
31 to 60 days	12,658	12,168
61 to 90 days	10,751	12,256
Over 90 days	1,935	658
	61,332	62,272

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days. The carrying amounts of the trade payables approximate to their fair values.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

23. OTHER PAYABLES AND ACCRUALS

	2017 HK\$'000	2016 HK\$'000
Deposits received from customers	21,065	23,086
Salary and welfare payables	12,776	11,328
Tax payables other than current income tax liabilities	5,499	4,418
Other payables and accruals	22,100	17,666
	61,440	56,498

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.

24. INTEREST-BEARING BANK BORROWINGS

	2017			2016		
	Contractual interest rate	Maturity	HK\$'000	Contractual interest rate	Maturity	HK\$'000
Current						
Finance lease payables (note 26)	4.11%	2018	128	4.11%	2017	249
Current portion of long term interest-bearing bank loans — secured			—	PBOC base rate*1.15	2017	13,216
			128			13,465
Non-current						
Finance lease payables (note 26)			—	4.11%	2018	128
Long term interest-bearing bank loans — secured			—	PBOC base rate*1.15	2018	4,956
			—			5,084
			128			18,549

Notes:

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

24. INTEREST-BEARING BANK BORROWINGS (continued)

	2017 HK\$'000	2016 HK\$'000
Repayable:		
Within one year or on demand	128	13,465
In the second year	—	5,084
	128	18,549

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

	Notes	2017 HK\$'000	2016 HK\$'000
Property, plant and equipment	16	120,254	122,925
Prepaid land lease payments	17	60,948	8,470
		181,202	131,395

	2017 HK\$'000	2016 HK\$'000
Interest-bearing bank borrowings denominated in:		
— RMB	—	18,172
— HK\$	128	377
	128	18,549

The Group has the following undrawn banking facilities:

	2017 HK\$'000	2016 HK\$'000
Floating rate		
— to expire within one year	181,769	114,131
— to expire over one year	—	47,684
	181,769	161,815

NOTES TO FINANCIAL STATEMENTS

31 December 2017

25. CONVERTIBLE NOTES

On 20 May 2015, the Group acquired 100% interest in the Topspan Group from Mr. Lin Wan Tsang, the controlling shareholder of the Company. The Topspan Group is engaged in the content filling of aerosol cans, and the production and sale of aerosol and non-aerosol products. The acquisition was made as part of the Group's strategy to allow the Group to capture downstream profit margins by gaining access to the downstream distribution channels. The purchase consideration aggregated to HK\$900,000,000, of which HK\$780,000,000 was settled by the issue of convertible notes by the Company (the "Convertible Notes"). On 8 July 2015, the Company issued the HK\$780,000,000 Convertible Notes.

The key terms of the Convertible Notes are as follows:

Principal amount: HK\$780,000,000.

Interest: the Convertible Notes shall not bear any interest.

Term: A fixed term of five years from the issue. Any principal amount of the Convertible Notes which have not been redeemed or converted by the maturity date will be converted into ordinary shares on the maturity date.

Conversion: The notes holder may at any time during the conversion period convert the whole or part of the principal amount of the Convertible Notes into ordinary shares at the conversion price.

Redemption: The issuer cannot redeem the Convertible Notes or part thereof at any time on or before the maturity date.

Conversion price: HK\$1.08 per share, subject to adjustments as follows;

Adjustment events: (1) consolidation or subdivision of shares; (2) capitalisation of profits or reserves; (3) capital distribution; (4) offer of new shares for subscription by way of rights, or a grant of options or warrants to subscribe for new shares, at a price which is less than 90% of the market price per share; (5) issue wholly for cash of securities convertible into or exchangeable for or carrying rights of subscription for new shares, if in any case the total effective consideration per share receivable is less than 90% of the market price, or the conversion, exchange or subscription rights of any such issue are altered, so that the said total effective consideration receivable is less than 90% of such market price; and (6) issue of shares being made wholly for cash or for acquisition of assets at a price less than 90% of the market price per share. As the Convertible Notes are not redeemable and carry no interests, they contain no contractual obligation and they will be settled by the exchange of a fixed amount of another financial asset for a fixed number of the Company's own equity instruments. In this case, the Convertible Notes are classified as equity.

The movements of the conversion of the Convertible Notes are set out in note 29.

26. OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain of its motor vehicles for its business operation. The lease is classified as a finance lease and has a remaining lease term of six months.

	Minimum lease payments 2017 HK\$'000	Minimum lease payments 2016 HK\$'000	Present value of minimum lease payments 2017 HK\$'000	Present value of minimum lease payments 2016 HK\$'000
Amounts payable:				
Within one year	129	258	128	253
In the second year	—	129	—	124
Total minimum finance lease payments	129	387	128	377
Future finance charges	(1)	(10)		
Total net finance lease payables	128	377		
Portion classified as current liabilities (note 24)	(128)	(249)		
Non-current portion (note 24)	—	128		

27. DEFERRED INCOME

	2017 HK\$'000	2016 HK\$'000
At 1 January	2,707	3,198
Grants recognised	807	—
Amortised as income	(417)	(299)
Exchange realignment	221	(191)
At 31 December	3,318	2,708
Current portion	(594)	(285)
Non-current portion	2,724	2,423

NOTES TO FINANCIAL STATEMENTS

31 December 2017

28. 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, derivatives and provisions.

The movements in deferred tax assets are as follows:

	Government grants HK\$'000	Derivatives HK\$'000	Provisions HK\$'000	Total HK\$'000
At 1 January 2016	480	64	865	1,409
Charged/(Credited) to profit or loss (note 13)	(45)	(62)	350	243
Exchange realignment	(29)	(2)	(69)	(100)
At 31 December 2016 and 1 January 2017	406	—	1,146	1,552
Charged to profit or loss (note 13)	59	—	254	313
Exchange realignment	33	—	97	130
At 31 December 2017	498	—	1,497	1,995

The Group has tax losses arising in Hong Kong of HK\$34,784,000 (2016: HK\$30,437,000) 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.

Deferred tax liabilities

The movements in deferred tax liabilities are as follows:

	Withholding taxes HK\$'000	Total HK\$'000
At 1 January 2016	1,030	1,030
Charged to profit or loss (note 13)	897	897
Deferred tax transferred out in respect of withholding tax paid by a PRC subsidiary	(1,030)	(1,030)
At 31 December 2016 and 1 January 2017	897	897
Charged to profit or loss (note 13)	1,316	1,316
At 31 December 2017	2,213	2,213

NOTES TO FINANCIAL STATEMENTS

31 December 2017

28. DEFERRED TAX *(continued)*

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 the PRC. 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. The Group is therefore liable for withholding taxes on dividends distributed by the subsidiary established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2017, the Group has not recognised deferred tax liabilities of HK\$12,543,000 (2016: HK\$23,151,000) in respect of temporary differences relating to the unremitted profits of the Group's subsidiaries established in the PRC, amounting to HK\$250,868,000 (2016: HK\$231,511,000), 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.

29. SHARE CAPITAL

The following changes in the Company's authorised and issued share capital took place during the period from 1 January 2016 to 31 December 2017.

	Notes	Number of ordinary shares of HK\$0.01	Nominal value of ordinary shares HK\$
Authorised and issued:			
At 1 January 2016		624,143,000	6,241,430
Shares repurchased and cancelled	(a)	(37,082,000)	(370,820)
Share options exercised		3,136,000	31,360
Convertible Notes converted	(b)	8,000,000	80,000
At 31 December 2016 and 1 January 2017		598,197,000	5,981,970
Share options exercised		2,450,000	24,500
Convertible Notes converted	(c)	333,532,000	3,335,320
At 31 December 2017		934,179,000	9,341,790

NOTES TO FINANCIAL STATEMENTS

31 December 2017

29. SHARE CAPITAL *(continued)*

Notes:

- (a) The Company purchased 37,082,000 of its shares on the Hong Kong Stock Exchange for a total consideration of HK\$58,532,000, which was paid wholly out of retained profits in accordance with section 257 of the Hong Kong Companies Ordinance. The purchased shares were cancelled during the year and the issued share capital of the Company was reduced by the par value of HK\$370,820. The premium amount and relevant expenses paid for the purchase of the shares of HK\$58,406,000 has been charged to the share premium account of the Company.
- (b) On 22 March and 5 May 2016, the Company received a formal notice from the vendor for the exercise of the conversion rights attached to the Convertible Notes in the amount of HK\$3,240,000 and HK\$5,400,000 respectively at the conversion price of HK\$1.08 per conversion share. The portion of the Convertible Notes of which the conversion rights are being exercised represents approximately 1.11% of the Convertible Notes with a principal amount of HK\$780,000,000 held by the Vendor. In accordance with the conversion requirement, 8,000,000 conversion shares were resolved to be allotted and issued by the Company to the Vendor on 22 March and 5 May 2016.
- (c) On 17 May, 20 December and 21 December 2017, the Company received a formal notice from the Vendor for the exercise of the conversion rights attached to the Convertible Notes in the amount of HK\$216,000,000, HK\$39,454,560 and HK\$104,760,000 respectively at the conversion price of HK\$1.08 per conversion share. The portion of the Convertible Notes of which the conversion rights are being exercised represents approximately 46.18% of the Convertible Notes with a principal amount of HK\$780,000,000 held by the vendor. In accordance with the conversion requirement, 333,532,000 conversion shares were resolved to be allotted and issued by the Company to the Vendor on 17 May, 20 December and 21 December 2017.

30. SHARE OPTION SCHEME

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); and
- (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.

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.

30. SHARE OPTION SCHEME *(continued)*

Pre-IPO Share Option Scheme *(continued)*

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

- (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.

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

	Year ended 31 December 2017	
	Weighted average exercise price	Number of share options
	HK\$ per share	
At beginning of year	0.7	3,481,000
Exercised during the year	0.7	(2,450,000)
At the end of year	0.7	1,031,000

The fair value of the share options under the Pre-IPO Share Option Scheme granted was estimated at approximately HK\$8,787,000, of which the Group did not recognise any share option expense during the year ended 31 December 2017 (31 December 2016: HK\$326,830).

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

30. SHARE OPTION SCHEME *(continued)*

Pre-IPO Share Option Scheme *(continued)*

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.

2,450,000 share options were exercised during the year. The weighted average share price at the date of exercise for share options exercised during the year was HK\$1.12 per share (2016: HK\$1.47).

As at 31 December 2017, the Company had 1,031,000 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 1,031,000 additional ordinary shares of the Company and additional share capital of HK\$10,310 and share premium of HK\$1,020,690.

At the date of approval of these financial statements, the Company had 1,031,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 0.11% of the Company's shares in issue as at that date.

Share Option Scheme

The Company operates a share option scheme (the "Share Option Scheme") for the purposes of: (a) motivating the eligible participants to optimise their performance and efficiency for the benefit of the Group; and (b) attracting and retaining or otherwise maintaining ongoing business relationships with the eligible participants whose contributions are, will be 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 class 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.

30. SHARE OPTION SCHEME *(continued)***Share Option Scheme** *(continued)*

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.

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 of the closing prices 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 2017 and the date of approval of these financial statements, no share option was granted and outstanding under the Share Option Scheme.

31. RESERVES

- (i) The amounts of the Group's reserves and the movements therein for the current year and the prior year are presented in the consolidated statement of changes in equity on pages 53 to 54 of the financial statements.
- (ii) In accordance with the PRC Company Law, the PRC subsidiary of the Group is required to allocate 10% of its 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 was HK\$74,745,000 and HK\$67,571,000 as at 31 December 2017 and 2016, respectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

32. OPERATING LEASE ARRANGEMENTS

a) As lessor

The Group leases certain of its plant buildings under operating lease arrangements, with leases negotiated for terms of three years.

At 31 December 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	259	—
In the second to third years, inclusive	238	—
	497	—

b) 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 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	409	827
In the second to third years, inclusive	6	96
	415	923

33. COMMITMENTS

The Group had the following capital commitments as at 31 December 2017 and 2016:

	Notes	2017 HK\$'000	2016 HK\$'000
Contracted, but not provided for:			
Plant and machinery		4,279	346
Future capital contributions	(i)	90,000	—

Note:

- (i) On 30 November 2017, China Medical Beauty Bio-Technology Company Limited, a subsidiary of the Group, entered into a share acquisition agreement (the "Agreement") with European Asia Industrial Limited, a company wholly-owned by Mr. Lin Wan Tsang, the chairman and the controlling shareholder of the Company. Pursuant to the Agreement, European Asia Industrial Limited agreed to sell the 70% issued share capital of Guangzhou Euro Asia Aerosol & 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") for a consideration of HK\$90,000,000 in cash. Details of the Acquisition were set out in the Company's announcements made on 30 November 2017, 15 December 2017 and 2 February 2018. The Acquisition has not been completed as at the approval date of these financial statements.

34. CONTINGENT LIABILITIES

The Group had no significant contingent liability as at 31 December 2017 and 2016.

35. RELATED PARTY TRANSACTIONS

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	2017 HK\$'000	2016 HK\$'000
Sales of products to:			
Euro Asia Aerosol	(i)	12,197	5,591
European Asia Industrial Ltd. ("European Asia Industrial")	(i)	5,253	4,594
Botny Car Service Management Company (廣州保賜利汽車服務管理有限公司) ("Botny Car Management")	(i)	200	312
Total		17,650	10,497
Trademarks licensing from:			
China Motor Management Services Limited	(ii)	—	339
Operating lease rental income received from:			
Euro Asia Aerosol	(iii)	224	—
Operating lease rental expenses charged by:			
Mr. Lin Wan Tsang*	(iv)	96	96

* Director of the Company

Notes:

- (i) Euro Asia Aerosol, European Asia Industrial, and Botny Car Management are fellow subsidiaries controlled by the ultimate shareholder of the Company. The sales and purchases among the companies were made according to prices and conditions as mutually agreed.
- (ii) China Motor Management Services Limited is a fellow subsidiary indirectly controlled by the ultimate shareholder of the Company. The Group is non-exclusively licensed to use several trademarks owned by the above company. The licensing price was set based on the revenue of the products sold with the trademarks.
- (iii) The operating lease rental income received from Euro Asia Aerosol was determined based on the underlying contracts as agreed between the Group and Euro Asia Aerosol.
- (iv) 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

35. RELATED PARTY TRANSACTIONS *(continued)*

(2) Commitments with related parties

On 31 December 2015, a subsidiary of the Group entered into a three-year agreement ending 31 December 2018 with Mr. Lin Wan Tsang to rent an office for the Group's operation in Hong Kong.

On 1 January 2017, a subsidiary of the Group entered into a three-year agreement ending 31 December 2019 with Euro Asia Aerosol to rent a plant building in Mainland China to Euro Asia Aerosol.

On 30 November 2017, a subsidiary of the Group entered into an acquisition agreement with European Asia Industrial, details of which are set out in note 33.

(3) Compensation of key management personnel of the Group, including Directors' remuneration as detailed in note 11 above:

	2017 HK\$'000	2016 HK\$'000
Fees	3,341	2,731
Salaries, allowances and benefits in kind	4,086	4,568
Equity-settled share option expenses	—	260
Pension scheme contributions	91	298
Total compensation paid to key management personnel	7,518	7,857

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

36. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets	2017		2016	
	Loans and receivables HK\$'000	Total HK\$'000	Loans and receivables HK\$'000	Total HK\$'000
Trade and bills receivables	64,671	64,671	58,496	58,496
Trade receivables due from related parties	15,310	15,310	7,521	7,521
Financial assets included in prepayments, deposits and other receivables	5,308	5,308	3,867	3,867
Pledged deposits	8,178	8,178	8,232	8,232
Cash and cash equivalents	159,352	159,352	122,376	122,376
	252,819	252,819	200,492	200,492

NOTES TO FINANCIAL STATEMENTS

31 December 2017

36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities	2017		2016	
	Financial liabilities at amortised cost HK\$'000	Total HK\$'000	Financial liabilities at amortised cost HK\$'000	Total HK\$'000
Trade and bills payables	61,332	61,332	62,272	62,272
Trade payables due to related parties	—	—	385	385
Financial liabilities included in other payables and accruals	22,100	22,100	17,666	17,666
Interest-bearing bank borrowings	128	128	18,549	18,549
	83,560	83,560	98,872	98,872

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank borrowings, amounts due from related parties, 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 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 long term debt obligations with floating interest rates.

The contractual interest rates and terms of repayment of the interest-bearing bank borrowings of the Group are set out in note 24 above.

The following table demonstrates the sensitivity to a reasonably possible change in the PBOC base rate, 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 2017		
PBOC base rate	25	—
PBOC base rate	(25)	—
As at 31 December 2016		
PBOC base rate	25	(45)
PBOC base rate	(25)	45

NOTES TO FINANCIAL STATEMENTS

31 December 2017

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales in currencies other than the units' functional currencies. Approximately 22% and 31% of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 99% and 63% of inventory costs were denominated in the units' functional currencies for the years ended 31 December 2017 and 2016, respectively.

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 exchange rate %	Increase/(Decrease) in profit before tax HK\$'000	Increase/(Decrease) in equity* HK\$'000
As at 31 December 2017			
If RMB weakens against US\$	5	5,346	4,544
If RMB strengthens against US\$	(5)	(5,346)	(4,544)
If RMB weakens against HK\$	5	—	(36,898)
If RMB strengthens against HK\$	(5)	—	36,898
As at 31 December 2016			
If RMB weakens against US\$	5	4,839	4,113
If RMB strengthens against US\$	(5)	(4,839)	(4,113)
If RMB weakens against HK\$	5	—	(31,356)
If RMB strengthens against HK\$	(5)	—	31,356

* Excluding retained profits

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 45% and 27% of the Group's trade and bills receivables were due from the Group's certain customers with the top five balances as at 31 December 2017 and 2016, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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 2017 and 2016, based on the contractual undiscounted payments, was as follows:

	As at 31 December 2017			
	On demand HK\$'000	Less than 1 year HK\$'000	Over 1 year HK\$'000	Total HK\$'000
Trade and bills payables	1,935	59,397	—	61,332
Financial liabilities included in other payables and accruals	—	22,100	—	22,100
Interest-bearing bank borrowings	—	128	—	128
	1,935	81,625	—	83,560

	As at 31 December 2016			
	On demand HK\$'000	Less than 1 year HK\$'000	Over 1 year HK\$'000	Total HK\$'000
Trade and bills payables	658	61,614	—	62,272
Financial liabilities included in other payables and accruals	—	17,666	—	17,666
Interest-bearing bank borrowings	—	13,465	5,084	18,549
	658	92,745	5,084	98,487

NOTES TO FINANCIAL STATEMENTS

31 December 2017

37. 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 2017 and 2016.

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 and bills payables, financial liabilities included in other payables and accruals 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 the reporting periods are as follows:

	2017 HK\$'000	2016 HK\$'000
Interest-bearing bank borrowings	128	18,549
Trade and bills payables	61,332	62,272
Financial liabilities included in other payables and accruals	22,100	17,666
Less: Cash and cash equivalents and pledged deposits	(167,530)	(130,608)
Net debt	(83,970)	(32,121)
Equity attributable to owners of the parent	609,529	513,293
Capital and net debt	525,559	481,172
Gearing ratio	(16%)	(7%)

NOTES TO FINANCIAL STATEMENTS

31 December 2017

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 HK\$'000	2016 HK\$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	—	—
Total non-current assets	—	—
CURRENT ASSETS		
Prepayments	263	162
Amounts due from subsidiaries	958,631	970,275
Other receivables	—	709
Cash and cash equivalents	570	2,200
Total current assets	959,464	973,346
CURRENT LIABILITIES		
Accruals	9	9
Amounts due to subsidiaries	—	1,789
Total current liabilities	9	1,798
NET CURRENT ASSETS	959,455	971,548
Net assets	959,455	971,548
EQUITY		
Issued capital	9,342	5,982
Reserves	663,969	320,233
Equity component of Convertible Notes	276,146	636,360
Proposed final dividend	9,998	8,973
Total equity	959,455	971,548

NOTES TO FINANCIAL STATEMENTS

31 December 2017

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Equity component of Convertible Notes HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000
As at 1 January 2017	330,885	3,136	(13,788)	636,360	8,973	965,566
Total comprehensive loss for the year	—	—	(1,836)	—	—	(1,836)
Exercise the conversion rights attached to the Convertible Notes	356,879	—	—	(360,214)	—	(3,335)
Exercise of share options	2,720	(1,029)	—	—	—	1,691
Dividend paid	(3,000)	—	—	—	(8,973)	(11,973)
Proposed final 2017 dividend	(9,998)	—	—	—	9,998	—
As at 31 December 2017	677,486	2,107	(15,624)	276,146	9,998	950,113

	Share premium account HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Equity component of Convertible Notes HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000
As at 1 January 2016	394,704	4,446	(13,188)	645,000	13,731	1,044,693
Total comprehensive loss for the year	—	—	(600)	—	—	(600)
Exercise the conversion rights attached to the Convertible Notes	8,560	—	—	(8,640)	—	(80)
Exercise of share options	3,801	(1,637)	—	—	—	2,164
Shares repurchased and cancelled	(58,406)	—	—	—	—	(58,406)
Equity-settled share option arrangements	—	327	—	—	—	327
Interim dividend	(8,610)	—	—	—	—	(8,610)
Dividend paid	(191)	—	—	—	(13,731)	(13,922)
Proposed final 2016 dividend	(8,973)	—	—	—	8,973	—
As at 31 December 2016	330,885	3,136	(13,788)	636,360	8,973	965,566

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 February 2018.

FINANCIAL SUMMARY

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

RESULTS

	Year ended 31 December				
	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000 (Restated)	2013 HK\$'000
Revenue	701,823	696,344	693,677	752,685	260,311
Profit before tax	78,554	123,038	97,450	96,940	48,636
Income tax expenses	(11,430)	(27,753)	(18,155)	(15,240)	(10,581)
Profit for the year	67,124	95,285	79,295	81,700	38,055
Profit attributable to:					
Owners of the Company	66,650	94,833	78,954	81,130	37,343
Non-controlling interests	474	452	341	570	712
	67,124	95,285	79,295	81,700	38,055

FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	As at 31 December				
	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000 (Restated)	2013 HK\$'000
Total assets	744,546	664,201	726,760	716,345	702,652
Total liabilities	130,097	146,793	192,099	306,696	309,974
	614,449	517,408	534,661	409,649	392,678
Equity					
Equity attributable to owners of the Company	609,529	513,293	530,732	405,624	389,050
Non-controlling interests	4,920	4,115	3,929	4,025	3,628
	614,449	517,408	534,661	409,649	392,678

Note:

The summary of the consolidated results of the Group for the years ended 31 December 2013 and 31 December 2012, and the assets and liabilities as at 31 December 2012 have not been restated to inculcate the effect of the acquisition, which was completed on 20 May 2015, as the Directors are of the opinion that it is impracticable to do so.