The Directors
Precious Dragon Technology Holdings Limited
China Tonghai Capital Limited

Dear Sirs,

We report on the historical financial information of Precious Dragon Technology Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-75, which comprises the combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2016, 2017 and 2018 (the "Relevant Periods"), the combined statements of financial position of the Group as at 31 December 2016, 2017 and 2018, and the statement of financial position of the Company as at 31 December 2018, and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-75 forms an integral part of this report, which has been prepared for inclusion in the listing document of the Company dated 3 June 2019 (the "Listing Document") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2 and 3 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2 and 3 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2016, 2017 and 2018, of the financial position of the Company as at 31 December 2018 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2 and 3 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 14 to the Historical Financial Information which contains information about the dividends paid in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
3 June 2019

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young, Hong Kong in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2016	2017	2018
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	8	526,855	518,381	610,864
Cost of sales		(347,214)	(370,904)	(453,304)
Gross profit		179,641	147,477	157,560
Other income and gains	8	17,060	7,659	15,603
Selling and distribution expenses		(51,015)	(46,347)	(45,125)
Administrative expenses		(30,574)	(31,857)	(39,047)
Research and development expenses		(18,929)	(18,841)	(22,210)
Other expenses		(1,722)	(7,218)	(3,154)
Finance costs	10	(1,788)	(497)	(2,035)
PROFIT BEFORE TAX	9	92,673	50,376	61,592
Income tax expense	13	(22,164)	(9,398)	(14,664)
PROFIT FOR THE YEAR		70,509	40,978	46,928
OTHER COMPREHENSIVE INCOME/(LOSS)				
Exchange differences on translation of foreign operations		(15,930)	18,467	(16,613)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		54,579	59,445	30,315
Profit attributable to:				
Owners of the parent		69,368	39,210	41,686
Non-controlling interests		1,141	1,768	5,242
		70,509	40,978	46,928
Total comprehensive income attributable to:				
Owners of the parent		54,114	56,954	25,796
Non-controlling interests		465	2,491	4,519
		54,579	59,445	30,315

COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2016	**2017**	**2018**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	16	94,594	97,535	104,007
Prepaid land lease payments	17	58,444	61,331	56,678
Deferred tax assets	25	897	1,117	1,724
Non-current prepayments	20	1,120	3,019	4,527
Total non-current assets		155,055	163,002	166,936
CURRENT ASSETS				
Inventories	18	42,129	54,447	56,962
Trade and bills receivables	19	34,091	42,487	39,242
Prepayments, deposits and other receivables	20	42,937	37,780	10,099
Pledged bank deposits	21	8,232	5,417	4,930
Cash and cash equivalents	21	100,075	99,779	142,492
Total current assets		227,464	239,910	253,725
CURRENT LIABILITIES				
Trade and bills payables	22	69,892	67,300	68,590
Other payables and accruals	23	52,815	47,830	29,204
Interest-bearing bank borrowings	24	16,565	3,602	—
Deferred income	26	—	—	228
Contract Liabilities	8(a)	11,543	10,900	11,717
Tax payable		3,861	374	3,494
Total current liabilities		154,676	130,006	113,233
NET CURRENT ASSETS		72,788	109,904	140,492
TOTAL ASSETS LESS CURRENT LIABILITIES		227,843	272,906	307,428

COMBINED STATEMENTS OF FINANCIAL POSITION (continued)

		As at 31 December		
		2016	**2017**	**2018**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	24	4,956	—	75,000
Deferred tax liabilities	25	897	1,006	1,944
Deferred income	26	—	—	2,048
Total non-current liabilities		5,853	1,006	78,992
Net assets		221,990	271,900	228,436
EQUITY				
Equity attributable to owners of the parent				
Share capital	27	—	—	—
Reserves	28	211,832	268,786	220,803
Non-controlling interests		10,158	3,114	7,633
Total equity		221,990	271,900	228,436

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent						
	Share capital	**Other reserve**	**Exchange fluctuation reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000 *(note 27)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016	—	55,943	(680)	102,455	157,718	9,693	167,411
Profit for the year	—	—	—	69,368	69,368	1,141	70,509
Other comprehensive loss for the year:							
Exchange differences on translation of foreign operations	—	—	(15,254)	—	(15,254)	(676)	(15,930)
Total comprehensive income for the year	—	—	(15,254)	69,368	54,114	465	54,579
Transfer from retained profits	—	8,516	—	(8,516)	—	—	—
At 31 December 2016 and 1 January 2017	—	64,459#	(15,934)#	163,307#	211,832	10,158	221,990
Profit for the year	—	—	—	39,210	39,210	1,768	40,978
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	—	—	17,744	—	17,744	723	18,467
Total comprehensive income for the year	—	—	17,744	39,210	56,954	2,491	59,445
Transfer from retained profits	—	4,312	—	(4,312)	—	—	—
Dividends paid to a minority shareholder	—	—	—	—	—	(9,535)	(9,535)
At 31 December 2017 and 1 January 2018	—	68,771#	1,810#	198,205#	268,786	3,114	271,900

COMBINED STATEMENTS OF CHANGES IN EQUITY (continued)

	Attributable to owners of the parent						
	Share capital	**Other reserve**	**Exchange fluctuation reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000 *(note 27)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2018	—	68,771	1,810	198,205	268,786	3,114	271,900
Profit for the year	—	—	—	41,686	41,686	5,242	46,928
Other comprehensive loss for the year:							
Exchange differences on translation of foreign operations	—	—	(15,890)	—	(15,890)	(723)	(16,613)
Total comprehensive income for the year	—	—	(15,890)	41,686	25,796	4,519	30,315
Consideration paid for business combination under common control	—	(90,000)	—	—	(90,000)	—	(90,000)
Settlement of debt	—	16,221	—	—	16,221	—	16,221
Transfer from retained profits	—	5,456	—	(5,456)	—	—	—
At 31 December 2018	—	448#	(14,080)#	234,435#	220,803	7,633	228,436

Note:

\# As at 31 December 2016, 2017 and 2018, these reserve accounts comprise the combined reserves of HK$211,832,000, HK$268,786,000 and HK$220,803,000, respectively, in the combined statements of financial position.

COMBINED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2016	**2017**	**2018**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		92,673	50,376	61,592
Adjustments for:				
Finance costs	10	1,788	497	2,035
Bank interest income	8	(239)	(192)	(489)
Loss on disposal of property, plant and equipment	9	90	127	166
Depreciation of items of property, plant and equipment	16	12,518	13,325	14,603
Amortisation of prepaid land lease prepayments	17	1,494	1,474	1,516
Impairment of inventories**		—	—	1,213
Impairment of trade receivables	19	512	960	770
		108,836	66,567	81,406
Decrease/(increase) in inventories		(3,878)	(12,318)	(3,728)
Decrease/(increase) in trade and bills receivables		(2,605)	(9,356)	2,475
Decrease/(increase) in prepayments, deposits and other receivables		(232)	(5,342)	4,103
Increase/(decrease) in trade and bills payables		6,024	(2,592)	1,290
Increase/(decrease) in other payables and accruals and contract liabilities		6,273	(37)	(1,918)
Increase in deferred income		—	—	2,276
Cash generated from operations		114,418	36,922	85,904

COMBINED STATEMENTS OF CASH FLOWS (continued)

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Cash generated from operations	114,418	36,922	85,904
Withholding tax paid	(7,058)	(1,547)	(1,779)
Tax paid	(16,137)	(12,024)	(11,299)
Net cash flows from operating activities	91,223	23,351	72,826
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	(11,485)	(11,674)	(27,811)
Proceeds from disposal of items of property, plant and equipment	—	5	148
Decrease/(increase) in pledged bank deposits	(1,240)	2,815	487
Interest received from banks	239	192	489
Acquisition of a subsidiary	—	—	(90,000)
Net cash flows used in investing activities	(12,486)	(8,662)	(116,687)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans	3,349	3,602	90,000
Repayment of bank loans	(13,835)	(22,375)	(18,558)
Interest paid	(1,788)	(497)	(2,035)
Decrease/(increase) in amounts due from related parties	689	10,499	23,578
Increase/(decrease) in amounts due to related parties	(69,091)	(5,591)	330
Dividends paid to a minority shareholder	—	(9,535)	—
Net cash flows from/(used in) financing activities	(80,676)	(23,897)	93,315

COMBINED STATEMENTS OF CASH FLOWS (continued)

		Year ended 31 December		
		2016	**2017**	**2018**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1,939)	(9,208)	49,454
Exchange realignment		(5,272)	8,912	(6,741)
Cash and cash equivalents at beginning of year		107,286	100,075	99,779
CASH AND CASH EQUIVALENTS AT END OF YEAR	21	100,075	99,779	142,492
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	21	108,307	105,196	147,422
Cash and cash equivalents as stated in the combined statements of financial position				
Pledged deposits		(8,232)	(5,417)	(4,930)
Cash and cash equivalents as stated in the combined statements of cash flows		100,075	99,779	142,492

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	As at 31 December 2018 HK$
CURRENT ASSETS		
Prepayments, deposits and other receivables		0.01
Cash and cash equivalents		50,487
Total current assets		50,487
CURRENT LIABILITIES		
Amounts due to subsidiaries		57,000
Total current liabilities		57,000
NET CURRENT LIABILITIES		(6,513)
Net liabilities		(6,513)
EQUITY		
Equity attributable to owners of the parent		—
Share capital	27	0.01
Reserves		(6,513)
Total equity		(6,513)

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. Corporate Information

The Company is a limited liability company incorporated in the British Virgin Islands ("BVI") on 4 May 2018. The Company's registered office address is Estera Trust (Cayman) Limited, PO Box 1350, Clifton house, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

The principal activity of the Company is investment holding. During the Relevant Periods, the principal activities of the subsidiaries comprise the content filling of aerosol cans, and the production and sale of aerosol products and non-aerosol products.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Listing Document. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

The immediate holding company is Euro Asia Investments Global Limited, a company controlled by China Aluminum Cans Holdings Limited. China Aluminum Cans Holdings Limited proposed to spin-off and separately list the shares of the Company on the Main Board of the Stock Exchange by way of introduction, to be implemented by means of a distribution in specie of the entire issued share capital of the Company owned by China Aluminum Cans Holdings Limited to the Shareholders.

As at the date of this report, the Company had direct or indirect interests in its subsidiaries, all of which are private limited liability companies or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong, the particulars of which are set out below:

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary /registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Topspan Holdings Limited (note (e))	BVI 3 July 2012	US$1	100	—	Investment holding
Botny Corporation Limited (note (a))	Hong Kong 3 June 2013	HK$1,001	—	100	Trading of aerosol and non-aerosol products
Super Sight International Investment Limited (note (b))	BVI 1 November 2017	US$1	—	100	Investment holding
Guangzhou Botny Chemical Co., Ltd. ("Botny Chemical") (廣州保賜利化工有限公司) (note (c))	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

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary /registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangzhou Euro Asia Aerosol and Household Products Manufacture Co., Ltd. ("Euro Asia Aerosol") (廣州歐亞氣霧劑及日化用品製造有限公司) (note (d))	Mainland China 17 April 2006	US$3,000,000	—	70	Content filling of aerosol cans and production and sale of aerosol and non-aerosol products
Botny Hongkong Co., Limited (note (a))	Hong Kong 9 June 2010	US$100,000	—	100	Trading of aerosol and non-aerosol products
Guangzhou Shentian Woye Trading Co., Ltd. ("Guangzhou Shentian") (廣州深田沃業貿易有限公司) (note (e))	Mainland China 5 May 2014	RMB10,000,000	—	100	Investment holding
Euro Asia Japan Co., Ltd. (株式会社ユーロアジア●ジャパン) (note(f))	Japan 6 January 2016	JPY9,000,000	—	100	Trading of aerosol and non-aerosol products
China Medical Beauty Bio-Technology Company Limited (note (g))	Hong Kong 14 November 2017	HKD10,000	—	100	Trading of aerosol and non-aerosol products

Notes:

(a) The statutory financial statements of these entities for the years ended 31 December 2016, and 2017 prepared under Hong Kong Financial Reporting Standards ("HKFRSs") were audited by Ernst & Young, Hong Kong, certified public accountants registered in Hong Kong.

(b) No audited financial statements have been prepared for this entity for the year ended 31 December 2017 and 2018, as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

(c) Botny Chemical is registered as a wholly-foreign-owned enterprise under PRC law. The statutory financial statements for the years ended 31 December 2016, 2017 and 2018 were audited by Guangzhou Xinzhongnan Certified Public Accountants Co., Ltd. (廣州新中南會計師事務所有限公司), certified public accountants registered in the PRC.

(d) Euro Asia Aerosol is registered as a wholly-foreign-owned enterprise under PRC law. The statutory financial statements for the year ended 31 December 2016 prepared under PRC GAAP were audited by Guangdong Chenrui Certified Public Accountants (General Partnership) (廣東晨瑞會計師事務所(普通合夥)), certified public accountants registered in the PRC. The statutory financial statements for the year ended 31 December 2017 and 2018 were audited by Guangzhou Zhongding Certified Public Accountants Co., Ltd. (廣州中鼎會計師事務所有限公司).

(e) No audited financial statements have been prepared for this entity for the years ended 31 December 2016, 2017 and 2018 as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

(f) No audited financial statements have been prepared for this entity for the years ended 31 December 2016, 2017 and 2018, as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

(g) No audited financial statements have been prepared for this entity for the year ended 31 December 2017, as the entity was newly set up on 14 November 2017.

2. Basis Of Presentation

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Listing Document, the Company became the holding company of the companies now comprising the Group on 15 May 2019. The companies now comprising the Group were under the common control of Mr. Lin Wan Tsang (the "Controlling Shareholder") before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholder, where this is a shorter period. The combined statements of financial position of the Group as at 31 December 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholder's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or businesses held by parties other than the Controlling Shareholder prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on combination.

3. Basis of Preparation

The Historical Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB, all IFRSs effective for the accounting period commencing from 1 January 2018, together with the relevant transitional provisions, have been consistently adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value.

IFRS 9 replaces International Accounting Standard ("IAS") 39 *Financial Instruments: Recognition and Measurement* for periods beginning on or after 1 January 2018. The Group applied IFRS 9 with the date of 1 January 2018. The Group has not restated the financial information from 1 January 2016 to 31 December 2017 for financial instruments in the scope of IFRS 9, which continues to be reported under IAS 39 and may not be comparable to the information presented for 2018. The Group has applied IFRS 15 in the preparation of the Historical Financial Information with a date of initial application of 1 January 2015. The Group has adopted IFRS 15 using the full retrospective method of adoption.

The principal effects of adopting these new IFRSs are as follows:

IFRS 15 Revenue from Contracts with Customer

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 has superseded all previous revenue recognition requirements under IFRSs. 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 has applied IFRS 15 using the full retrospective method of adoption. The Group has elected to apply the practical expedient for completed contracts and has not restated amounts for contracts completed before 1 January 2015.

The accounting policy for the Group's main types of revenue are presented in note 8 which has been updated to reflect the application of IFRS 15. It is considered that the adoption of IFRS 15 did not have significant impact on financial position and performance of the Group during the Relevant Periods.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 *Financial Instruments: Recognition and Measurement* and is effective for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

(a) Classification and measurement

Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in profit or loss.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model.

The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by IAS 39.

The Group's classification of its financial assets and liabilities is explained in note 5.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Further details are disclosed in notes 5 and 19 to the financial statements.

Other receivables are assessed for impairment based on 12-month expected credit losses: 12-month ECLs are the portion of lifetime ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the asset is less than 12 months). However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

It is considered that the adoption of IFRS 9 did not have significant impact on financial position and performance of the Group during the Relevant Periods.

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 the Historical Financial Information.

Amendments to IFRS 3	*Definition of a Business*[5]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC- Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

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

2 Effective for annual periods beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after 1 January 2021

4 No mandatory effective date yet determined but available for adoption

5 Effective for business combination for which the acquisition date is on or after 1 January 2020 and to asset acquisition that occurs on or after the beginning of the period

IFRS 16, 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 elective 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 will adopt IFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Group's total future minimum lease payments under non-cancellable operating leases within 12 months as at 31 December 2018 were approximately HK$446,000, and the Group has estimated that no right-of-use assets and lease liabilities will be recognised at 1 January 2019. According to the management, for the use of IFRS 16, there would be no significant impact on the Group.

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 interpretation is not expected to have any significant impact on the Group's financial statements.

5. Summary of Significant Accounting Policies

Subsidiaries

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Fair value measurement

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the combined 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 combined 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 Relevant Periods.

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 Relevant Periods 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.

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.

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%-18%
Office and other equipment	9%-30%
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 assets 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.

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018)

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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss and other comprehensive income. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies 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.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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, such 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 effective interest rate amortisation is included in other income and gains in the statement of profit or loss and other comprehensive income. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets (policies under IFRS 9 applicable from 1 January 2018 and policies under IAS 39 applicable before 1 January 2018)

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 (policies under IFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1: Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2: Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3: Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Impairment of financial assets (policies applicable before 1 January 2018)

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

Financial assets carried at amortised cost

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

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

The carrying amount of the asset is reduced 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 (policies under IFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

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 incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. 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 initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to 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.

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.

Financial liabilities (policies applicable before 1 January 2018)

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.

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.

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

Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each Relevant Periods 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 Relevant Periods, 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 Relevant Periods 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.

The carrying amount of deferred tax assets is reviewed at the end of each Relevant Periods 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 Relevant Periods 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 Relevant Periods.

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

IFRS 15 shifts revenue recognition to a control model on the following bases:

(a) from the sale of goods, the Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from the sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(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.

(c) Income from research and developing (R&D) design is recognised when the relevant R&D service has been rendered at a point in time.

(d) A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

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.

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 combined 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 combined 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 Relevant Periods. 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 difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

6. Significant Accounting Judgement and Estimates

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

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 combined financial statements:

Tax

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

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

Deferred tax 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 declared.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each Relevant Periods, which 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 2016, 2017 and 2018 were HK$94,594,000, HK$97,535,000 and HK$104,007,000, 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 (Policy applicable from 1 January 2018)

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on the invoice date for groupings of various customer segments with similar loss patterns (i.e., product type, customer type and rating, ageing of the balances and recent historical payment patterns). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecasted economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates will be adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecasted economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecasted economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Other receivables are assessed for impairment based on 12-month expected credit losses: 12-month ECLs are the portion of lifetime ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the asset is less than 12 months). However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

Impairment allowances for trade receivables and other receivables (Policy applicable before 1 January 2018)

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 Relevant Periods.

Impairment of non-financial assets

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.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2016, 2017 and 2018 was HK$897,000, HK$1,117,000 and HK$1,724,000, respectively. The amount of unrecognised tax losses at 31 December 2016, 2017 and 2018 was HK$1,956,000, HK$875,000 and HK$2,304,000, respectively. Further details are contained in note 25 to the Historical Financial Information.

Deferred tax liabilities

The Group's determination, as to whether and how much to accrue deferred tax liabilities in respect of withholding taxes arising from the distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distribution of dividends. Such judgement is made with reference to the Group's business plan and future cash requirements outside the PRC.

7. Segment Information

The Executive Management Committee is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. For management purposes, the Group operates in one operating segment which comprises the content filling of aerosol cans, and the production and sale of aerosol and non-aerosol products. Accordingly, no further business segment information is provided.

Geographical information

Revenue from external customers

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Mainland China	362,799	385,874	437,322
Japan	106,270	78,101	76,739
Asia	37,255	34,960	23,911
Middle East	12,221	10,078	9,071
America	3,527	4,959	58,312
Others	4,783	4,409	5,509
	526,855	518,381	610,864

The revenue information above is based on the location of the customers' registered offices.

The non-current assets of the Group (excluding deferred tax assets) are substantially located in Mainland China.

Information about major customers

No revenue from sales to any customer amounted to 10% or more of the Group's revenue during the Relevant Periods.

8. Revenue and Other Income and Gains

Revenue

An analysis of revenue is as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Revenue from contracts with customers			
Sale of goods	526,855	518,381	610,864

(i) Disaggregated revenue information

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Type of goods			
Sale of industrial products	526,855	518,381	610,864

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Timing of revenue recognition			
Goods transferred at a point in time	526,855	518,381	610,864

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of industrial products

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within 30 to 90 days from delivery, except for some customers, where payment in advance is normally required.

(a) Contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying goods are yet to be provided. The Group recognized the following revenue-related contract liabilities at the end of each of the Relevant Periods:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Current	11,543	10,900	11,717

The following table shows the unsatisfied performance obligations as at 31 December 2016, 2017 and 2018:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	11,543	10,900	11,717

All the remaining performance obligations are expected to be recognised within one year.

Other income and gains

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Sale of scrap materials	413	281	710
Bank interest income	239	192	489
Government grants - related to income*	3,789	1,837	2,781
Foreign exchange differences, net	5,360	—	4,926
Income from R&D design	6,543	4,278	4,834
Others	716	1,071	1,863
	17,060	7,659	15,603

* For the Relevant Periods, various government grants of HK$3,789,000, HK$1,837,000 and HK$2,781,000 representing cash payments and subsidies provided by the local government authorities to the Group as an encouragement for its technological innovation and overseas sales have been recognised in profit or loss. There are no unfulfilled conditions or contingencies relating to these grants.

9. Profit Before Tax

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

		Year ended 31 December		
		2016	**2017**	**2018**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Cost of inventories sold		347,214	370,904	453,304
Depreciation	16	12,518	13,325	14,603
Amortisation of prepaid land lease payments	17	1,494	1,474	1,516
Auditor's remuneration		1,323	2,241	2,566
Research and development costs		18,929	18,841	22,210
Minimum lease payments under operating leases		582	593	551
Employee benefit expense including Directors' remuneration (note 11):				
Wages and salaries		37,463	40,243	42,076
Pension scheme contributions		4,064	4,493	5,156
		41,527	44,736	47,232
Foreign exchange differences, net*		(5,360)	4,750	(4,926)
Loss on disposal of items of property, plant and equipment, net*		90	127	166
Impairment of trade receivables**		512	960	770
Impairment of inventories**		—	—	1,213

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

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

10. Finance Costs

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Interest on bank loans repayable	1,788	497	2,035

11. Directors' Remuneration

Directors' remuneration for the Relevant Periods 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:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	716	825	833
Pension scheme contributions	4	6	5
	720	831	838

(a) Non-executive directors and independent non-executive directors

Subsequent to the end of the Relevant Periods, three directors were appointed as independent non-executive directors of the Company on 27 May 2019.

(b) Executive directors

	Salaries, allowances, and benefits in kind	**Discretionary performance-related bonuses**	**Pension scheme contributions**	**Total remuneration**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2016				
Ko Sau Mee	—	—	—	—
Lin Hing Lung	219	—	—	219
Lin Hing Lei	219	—	—	219
Yang Xiaoye	278	—	4	282
	716	—	4	720

	Salaries, allowances, and benefits in kind *HK$'000*	Discretionary performance-related bonuses *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
Year ended 31 December 2017				
Ko Sau Mee	—	—	—	—
Lin Hing Lung	236	—	—	236
Lin Hing Lei	312	—	—	312
Yang Xiaoye	277	—	6	283
	825	—	6	831

	Salaries, allowances, and benefits in kind *HK$'000*	Discretionary performance-related bonuses *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
Year ended 31 December 2018				
Ko Sau Mee	—	—	—	—
Lin Hing Lung	237	—	—	237
Lin Hing Lei	315	—	—	315
Yang Xiaoye	281	—	5	286
	833	—	5	838

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

During the Relevant Periods, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

12. Five Highest Paid Employees

The five highest paid employees during the years ended 31 December 2016, 2017 and 2018 included two, two and two directors, respectively, details of whose remuneration are set out in note 11 above. Details of the remuneration for the years ended 31 December 2016, 2017 and 2018 of the remaining three, three and three highest paid employees, respectively, who are not directors of the Company are as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowances and benefits in kind	963	983	853
Pension scheme contributions	12	17	15
	975	1,000	868

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

	Year ended 31 December		
	2016	**2017**	**2018**
Nil to HK$1,000,000	3	3	3

During the Relevant Periods, no remuneration was paid by the Group to the Directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

13. Income Tax Expense

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

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any tax in the Cayman Islands.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods.

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 subsidiary, Botny Chemical, since it was recognised as High Technology Enterprise and was entitled to a preferential tax rate of 15% during the Relevant Periods.

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Current — Mainland China	14,340	8,304	12,795
Current — Hong Kong	7,216	1,132	1,624
Deferred (note 25)	608	(38)	245
Total tax charge for the year	22,164	9,398	14,664

A reconciliation of the income tax expense applicable to profit before tax using the statutory rate for the jurisdictions in which the majority of the Company's 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:

	Year ended 31 December					
	2016		**2017**		**2018**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit before tax	92,673		50,376		61,592	
Tax at the statutory tax rate	23,168	25.0	12,594	25.0	15,398	25.0
Entities subject to lower statutory income tax rates	(9,581)	(10.3)	(4,608)	(9.1)	(4,678)	(7.6)
Effect of withholding tax on distributable profits of the PRC subsidiary	(133)	(0.1)	109	0.2	938	1.5
Expenses not deductible for tax	668	0.7	259	0.5	108	0.2
Withholding income tax expense	7,143	7.7	998	2.0	1,723	2.8
Adjustment in respect of current tax of previous periods	(1,057)	(1.1)	(829)	(1.6)	(1,129)	(1.8)
Tax losses not recognised	1,956	2.0	875	1.7	2,304	3.7
Tax charge at the Group's effective tax rate	22,164	23.9	9,398	18.7	14,664	23.8

14. Dividends

The dividends declared by the Company's subsidiaries to their then shareholders during the Relevant Periods were as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Final dividends paid to a minority shareholder	—	9,535	—

No dividend has been paid or declared by the Company since its incorporation.

Before the acquisition of Euro Asia Aerosol, on 15 December 2017, Euro Asia Aerosol declared to distribute dividends amounting to HK$9,535,000 to its 100% shareholder, European Asia Industrial Ltd. Under the basis of presentation mentioned in note 2, the Acquisition should be treated as if it has been completed and European Asia Industrial Ltd. has been a 30% minority shareholder of Euro Asia Aerosol since the beginning of the financial periods. As a consequence, the Company consider the dividends as final dividends paid to a minority shareholder.

15. Earnings per Share Attributable to Ordinary Equity Holders of the Parent

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods as disclosed in note 2 above.

16. Property, Plant and Equipment

	Buildings	Plant and machinery	Office and other equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2016						
At 1 January 2016:						
Cost	97,883	32,555	11,395	3,502	3,534	148,869
Accumulated depreciation	(19,312)	(19,211)	(5,865)	(2,213)	—	(46,601)
Net carrying amount	78,571	13,344	5,530	1,289	3,534	102,268
At 1 January 2016, net of accumulated depreciation	78,571	13,344	5,530	1,289	3,534	102,268
Additions	4,729	1,725	1,279	1,001	2,256	10,990
Disposals	—	(44)	(41)	(1)	—	(86)
Depreciation provided during the year (note 9)	(8,376)	(2,824)	(942)	(376)	—	(12,518)
Transfers	2,160	—	—	—	(2,160)	—
Exchange realignment	(4,713)	(734)	(319)	(66)	(228)	(6,060)
At 31 December 2016, net of accumulated depreciation	72,371	11,467	5,507	1,847	3,402	94,594
At 31 December 2016:						
Cost	98,368	31,982	10,200	4,273	3,402	148,225
Accumulated depreciation	(25,997)	(20,515)	(4,693)	(2,426)	—	(53,631)
Net carrying amount	72,371	11,467	5,507	1,847	3,402	94,594

	Buildings	Plant and machinery	Office and other equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2017						
At 1 January 2017:						
Cost	98,368	31,982	10,200	4,273	3,402	148,225
Accumulated depreciation	(25,997)	(20,515)	(4,693)	(2,426)	—	(53,631)
Net carrying amount	72,371	11,467	5,507	1,847	3,402	94,594
At 1 January 2017, net of accumulated depreciation	72,371	11,467	5,507	1,847	3,402	94,594
Additions	3,485	4,478	931	43	838	9,775
Disposals	—	(1)	(131)	—	—	(132)
Depreciation provided during the year (note 9)	(9,022)	(2,758)	(1,130)	(415)	—	(13,325)
Exchange realignment	5,121	1,075	101	69	257	6,623
At 31 December 2017, net of accumulated depreciation	71,955	14,261	5,278	1,544	4,497	97,535
At 31 December 2017:						
Cost	108,286	39,464	12,785	4,576	4,497	169,608
Accumulated depreciation	(36,331)	(25,203)	(7,507)	(3,032)	—	(72,073)
Net carrying amount	71,955	14,261	5,278	1,544	4,497	97,535

	Buildings	Plant and machinery	Office and other equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2018						
At 1 January 2018:						
Cost	108,286	39,464	12,785	4,576	4,497	169,608
Accumulated depreciation	(36,331)	(25,203)	(7,507)	(3,032)	—	(72,073)
Net carrying amount	71,955	14,261	5,278	1,544	4,497	97,535
At 1 January 2018, net of accumulated depreciation	71,955	14,261	5,278	1,544	4,497	97,535
Additions	1,673	7,370	4,011	13,139	110	26,303
Disposals	—	(113)	(18)	(183)	—	(314)
Depreciation provided during the year (note 9)	(9,779)	(3,142)	(1,245)	(437)	—	(14,603)
Exchange realignment	(3,782)	(617)	(218)	(63)	(234)	(4,914)
At 31 December 2018, net of accumulated depreciation	60,067	17,759	7,808	14,000	4,373	104,007
At 31 December 2018:						
Cost	103,886	44,080	16,033	15,647	4,373	184,019
Accumulated depreciation	(43,819)	(26,321)	(8,225)	(1,647)	—	(80,012)
Net carrying amount	60,067	17,759	7,808	14,000	4,373	104,007

The Group's buildings are located in Mainland China.

As at 31 December 2016, 2017 and 2018, certain of the Group's interest-bearing bank borrowings were secured by the Group's buildings with a carrying value of HK$51,830,000, HK$50,845,000 and HK$52,375,000 (note 24), respectively.

The property ownership certificates of certain buildings of the Group in the PRC with aggregate net carrying amounts of HK$3,484,000, HK$3,533,000 and HK$3,108,000 as at 31 December 2016, 2017 and 2018, respectively, have not yet been issued by the relevant PRC authorities.

17. Prepaid Land Lease Payments

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Carrying amount at 1 January	65,526	59,871	62,866
Recognised during the year (note 9)	(1,494)	(1,474)	(1,516)
Exchange realignment	(4,161)	4,469	(3,217)
Carrying amount at 31 December	59,871	62,866	58,133
Current portion included in prepayments, deposits and other receivables	(1,427)	(1,535)	(1,455)
Non-current portion	58,444	61,331	56,678

As at 31 December 2016 and 2017 and 2018, 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$57,446,000, HK$60,290,000 and HK$56,132,000 (note 24), respectively.

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

18. Inventories

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	22,352	26,287	20,691
Work in progress	1,572	1,991	2,123
Finished goods	18,205	26,169	34,148
	42,129	54,447	56,962

19. Trade and Bills Receivables

	As at 31 December		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	36,383	45,879	43,169
Impairment	(3,376)	(4,631)	(5,148)
Trade receivables, net	33,007	41,248	38,021
Bills receivables	1,084	1,239	1,221
	34,091	42,487	39,242

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.

Included in the Group's trade receivables are amounts due from the Group's related parties of HK$11,458,000, HK$10,199,000 and HK$514,000 as at 31 December 2016, 2017 and 2018, respectively.

An ageing analysis of the trade receivables as at the end of each Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	15,990	20,884	17,851
31 to 60 days	8,482	7,020	13,727
61 to 90 days	2,912	3,484	1,300
Over 90 days	5,623	9,860	5,143
	33,007	41,248	38,021

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	3,088	3,376	4,631
Impairment losses recognised	512	960	770
Exchange realignment	(224)	295	(253)
At 31 December	3,376	4,631	5,148

Impairment under IFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at the year ended 31 December 2018 using a provision matrix to measure expected credit losses (ECLs). The provision rates are based on the invoice date for groupings of various customer segments with similar loss patterns (i.e., product type, customer type and rating, ageing of the balances and recent historical payment patterns). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

		Ageing			
	1 to 30 days	**31 to 60 days**	**61 to 90 days**	**Over 90 days**	**Total**
As at 31 December 2018					
Related parties:					
Expected credit loss rate	—	—	—	—	—
Gross carrying amount (HK$'000)	—	—	—	514	514
Expected credit losses (HK$'000)	—	—	—	—	—
Non-related parties:					
Expected credit loss rate	—	—	—	52.66%	12.07%
Gross carrying amount (HK$'000)	17,851	13,727	1,300	9,777	42,655
Expected credit losses (HK$'000)	—	—	—	5,148	5,148
Total expected credit losses (HK$'000)					5,148

An ageing analysis of the trade receivables as at 31 December 2016, and 2017, based on the credit term, that were not individually nor collectively considered to be impaired under IAS 39 is as follows:

			Past due but not impaired	
	Total	**Neither past due nor impaired**	**Less than 90 days**	**Over 90 days**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2016	33,007	24,472	2,912	5,623
31 December 2017	41,248	27,904	3,484	9,860

The trade receivables that were neither past due nor impaired related 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 related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Group were of the opinion that no provision for impairment under IAS39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

20. Prepayments, Deposits and Other Receivables

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Non-current prepayments	1,120	3,019	4,527
Current assets			
Prepayments	4,383	8,740	6,938
Tax recoverable	—	7	—
Deposits and other receivables	3,338	4,528	2,233
Due from related parties	35,216	24,505	928
	42,937	37,780	10,099

As at 31 December 2016 2017 and 2018, certain of the Group's interest-bearing bank borrowings were secured by the Group's prepayments, deposits and other receivables with a carrying value of HK$1,397,000, HK$1,503,000 and HK$1,425,000 (note 24), respectively.

21. Cash and Cash Equivalents and Pledged Deposits

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Cash and bank balances	108,307	105,196	147,422
Less: Pledged deposits			
Pledged for letters of credit	(2,645)	—	—
Pledged for acceptance bills	(5,587)	(5,417)	(4,930)
Cash and cash equivalents	100,075	99,779	142,492
Cash and bank balances denominated in			
— Renminbi ("RMB")	28,779	20,765	46,301
— United States dollars ("US$")	69,035	77,296	78,346
— Japanese yen ("JPY")	1,749	590	86
— Hong Kong dollars ("HK$")	198	390	16,669
— Euros ("EUR')	314	738	1,090
Cash and cash equivalents	100,075	99,779	142,492

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 ageing analysis of the trade and bills payables as at the end of each Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	35,934	38,223	35,560
31 to 60 days	12,685	13,583	12,194
61 to 90 days	12,219	10,251	11,583
Over 90 days	9,054	5,243	9,253
	69,892	67,300	68,590

Included in the Group's trade payables are amounts due to the Group's related parties of HK$9,529,000, HK$8,430,000, and HK$15,068,000 as at 31 December 2016, 2017 and 2018, respectively.

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

23. Other Payables and Accruals

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Salary and welfare payables	10,908	11,322	11,389
Other payables and accruals	20,095	20,287	17,485
Due to related parties	21,812	16,221	330
	52,815	47,830	29,204

The other payables and accruals are non-interest-bearing and are due to mature within one year.

24. Interest-Bearing Bank Borrowings

	As at 31 December								
	2016			2017			2018		
	Contractual interest rate	*Maturity*	*HK$'000*	*Contractual interest rate*	*Maturity*	*HK$'000*	*Contractual interest rate*	*Maturity*	*HK$'000*
Current									
Interest-bearing bank loans — secured	PBOC base rate+1.14%	2017	3,349	PBOC base rate+1.14%	2018	3,602			—
Current portion of long term bank loans — secured	PBOC base rate*1.15	2017	13,216			—			—
			16,565			3,602			—
Non-current									
Long term interest-bearing bank loans — secured	PBOC base rate*1.15	2018	4,956			—	Hong Kong interbank rate+1.70%	2020-2021	75,000
			4,956			—			75,000
			21,521			3,602			75,000

Notes:

The Hong Kong Interbank Rate stands for the three-month Hong Kong Interbank Offered Rate in Hong Kong Interbank Hong Kong Dollar Market at or about 11 am (Hong Kong time).

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

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Repayable:			
Within one year or on demand	16,565	3,602	—
In the second year	4,956	—	30,000
In the third to fifth years, inclusive	—	—	45,000
	21,521	3,602	75,000

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Interest-bearing bank borrowings denominated in			
— Renminbi ("RMB")	21,521	3,602	—
— HK$	—	—	75,000
	21,521	3,602	75,000

The Group has the following banking facilities:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Utilised:			
Interest-bearing bank borrowings	21,521	3,602	75,000
Bills payable	28,518	27,085	25,673
	50,039	30,687	100,673
Undrawn facilities:			
to expire within one year	63,374	122,472	83,477
to expire over one year	47,684	—	—
	111,058	122,472	83,477

The Group's banking facilities amounting to HK$10,046,000, HK$12,007,000 and nil as at 31 December 2016, 2017 and 2018 were guaranteed by Mr. Lin Wan Tsang, the Controlling Shareholder of the Group.

The Group's banking facilities amounting to HK$65,856,000, HK$70,838,000 and nil as at 31 December 2016, 2017 and 2018 were guaranteed by Euro Asia Packaging (Guangdong) Co., Ltd. (廣東歐亞包裝有限公司) ("Euro Asia Packaging"), a fellow subsidiary controlled by the Controlling Shareholder of the Company.

The Group's banking facilities amounting to HK$85,196,000, HK$70,313,000 and HK$172,770,000 as at 31 December 2016, 2017 and 2018 were guaranteed by China Aluminum Cans Holdings Limited, a fellow subsidiary controlled by the Controlling Shareholder of the Company.

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

		As at 31 December		
		2016	**2017**	**2018**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	16	51,830	50,845	52,375
Prepaid land lease payments	17	57,446	60,290	56,132
Prepayments, deposits and other receivables	20	1,397	1,503	1,425
		110,673	112,638	109,932

25. 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:

	Deductible tax loss	**Provisions**	**Government grants**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016	834	880	—	1,714
Charged to profit or loss (note 13)	(817)	76	—	(741)
Exchange realignment	(17)	(59)	—	(76)
At 31 December 2016 and 1 January 2017	—	897	—	897
Charged to profit or loss (note 13)	—	147	—	147
Exchange realignment	—	73	—	73
At 31 December 2017 and 1 January 2018	—	1,117	—	1,117
Charged to profit or loss (note 13)	—	337	356	693
Exchange realignment	—	(71)	(15)	(86)
At 31 December 2018	—	1,383	341	1,724

The Group has tax losses arising in Hong Kong of HK$7,138,000, HK$9,590,000 and HK$19,855,000 for the years ended 31 December 2016, 2017 and 2018 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 tax on distributable profits of the Group's PRC subsidiaries	**Total**
	HK$'000	*HK$'000*
At 1 January 2016	1,030	1,030
Charged to profit or loss (note 13)	(133)	(133)
At 31 December 2016 and 1 January 2017	897	897
Charged to profit or loss (note 13)	109	109
At 31 December 2017 and 1 January 2018	1,006	1,006
Charged to profit or loss (note 13)	938	938
At 31 December 2018	1,944	1,944

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 5% 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 2016, 2017 and 2018, the Group has not recognised deferred tax liabilities of HK$107,988,000, HK$117,499,000 and HK$116,986,000 in respect of temporary differences relating to the unremitted profits of the Group's subsidiaries established in the PRC, which 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.

26. Deferred Income

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	—	—	—
Grants recognised	—	—	2,372
Amortised as income	—	—	—
Exchange realignment	—	—	(96)
At 31 December	—	—	2,276
Current portion	—	—	(228)
Non-current portion	—	—	2,048

27. Share Capital

The Company was incorporated on 4 May 2018 with an initial issued capital of HK$0.01. At 31 December 2018, the issued capital for the Company was HK$0.01.

28. 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 combined statements of changes in equity of the Historical Financial Information.

(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$37,181,000, HK$41,493,000 and HK$46,949,000 as at 31 December 2016, 2017 and 2018, respectively.

29. Operating Lease Arrangements

As lessee

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

At 31 December 2016, 2017 and 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	533	662	446
In the second to third years, inclusive	—	463	—
	533	1,125	446

30. Commitments

The Group had the following capital commitments as at 31 December 2016, 2017 and 2018:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Contracted, but not provided for:			
Plant and machinery	406	1,028	4,126
Future capital contributions*	—	90,000	—
	406	91,028	4,126

* On 30 November 2017, China Medical Beauty Bio-Technology Company Limited entered into a share acquisition agreement (the "Agreement") with European Asia Industrial Limited. Pursuant to the Agreement, European Asia Industrial Limited agreed to sell the 70% issued share capital of Euro Asia Aerosol for a consideration of HK$90,000,000 in cash. (Note 32(3))

31. Notes to the Combined Statements of Cash Flows

(a) Major non-cash transactions

During the year ended 31 December 2018, Topspan Holdings Limited allotted and issued 1 ordinary share to settle amounts of HK$16,221,171 due to China Aluminum Cans Group (the "Remaining Group") which was recorded in "Other payables and accruals" in the combined statements of financial position as at 31 December 2018, and had no cash flow impact to the Group.

(b) Changes in liabilities arising from financing activities

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Bank borrowings			
At 1 January	33,552	21,521	3,602
New bank loans	3,349	3,602	90,000
Repayment of bank loans	(13,835)	(22,375)	(18,560)
Foreign exchange movement	(1,545)	854	(42)
At 31 December	21,521	3,602	75,000
Due to related parties			
At 1 January	90,903	21,812	16,221
Changes from financing cash flows	(69,091)	(5,591)	330
non-cash transaction	—	—	(16,221)
At 31 December	21,812	16,221	330

32. Related Party Transactions and Balances

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

(1) Recurring transactions

		Year ended 31 December		
		2016	**2017**	**2018**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Sales of products to:				
European Asia Industrial Limited ("European Asia Industrial")	(i)	26,214	20,837	5,147
Guangzhou Botny Car Service Management Co., Ltd. (廣州保賜利汽車服務管理有限公司) ("Botny Car Management")	(i)	312	200	15
		26,526	21,037	5,162
Purchases of products from:				
European Asia Industrial	(i)	7,914	5,587	1,388
Euro Asia Packaging	(i)	7,392	13,804	19,705
Hong Kong Aluminum Cans Limited	(i)	—	—	6,120
		15,306	19,391	27,213
Trademarks licensing from:				
China Motor Management Services Limited	(ii)	339	—	—

Notes:

(i) European Asia Industrial, Botny Car Management, Euro Asia Packaging and Hong Kong Aluminum Cans Limited are fellow subsidiaries controlled by the Controlling 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 Controlling 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.

	Year ended 31 December		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Undrawn banking facilities guaranteed by:			
China Aluminum Cans Holdings Limited	56,677	43,229	72,097
Euro Asia Packaging	47,684	70,838	—
Mr. Lin Wan Tsang	6,697	8,405	—

All of the above related parties (except Mr. Lin Wan Tsang) were companies controlled by the Controlling Shareholder of the Company. The transactions were conducted on terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that those related party transactions were conducted in the ordinary course of business of the Group.

(2) Balances with related parties and directors

	As at 31 December		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Due from:			
Related parties:			
Euro Asia Packaging**	22,536	24,013	—
European Asia Industrial*	11,458	10,138	514
Guangzhou Conghua Jiangpu Vehicle Maintenance Center (廣州市從化江埔拓展汽車養護中心) **	2,644	—	—
Guangzhou Baiyun Huangshi Vehicle Maintenance Center (廣州市白雲區黃石養車坊汽車養護中心) **	433	—	—
Botny Car Management**	9,603	553	928
	46,674	34,704	1,442

* Included in "Trade and bills receivables" in the combined statements of financial position.

** Included in "Prepayments, deposits and other receivables" in the combined statements of financial position.

The amount due from European Asia Industrial was trade in nature. The amounts due from Euro Asia Packaging, Guangzhou Conghua Jiangpu Vehicle Maintenance Center, Guangzhou Baiyun Huangshi Vehicle Maintenance Center and Botny Car Management were non-trade in nature.

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Due to:			
Related parties:			
China Aluminum Cans Holdings Limited**	19,201	12,381	—
Euro Asia Packaging***	4,053	6,933	9,459
Hong Kong Aluminum Cans Limited***	2,611	3,840	5,939
European Asia Industrial*	5,476	1,497	—
	31,341	24,651	15,398

* Included in "Trade and bills payables" in the combined statements of financial position.

** Included in "Other payables and accruals" in the combined statements of financial position.

*** Included in "Trade and bills payables" or "Other payables and accruals" in the combined statements of financial position.

The amounts due to Euro Asia Packaging and European Asia Industrial were trade in nature. The amounts due to China Aluminum Cans Holdings Limited and the directors were non-trade in nature. The amounts due to Hong Kong Aluminum Cans Limited were non-trade as at 31 December 2016 and 2017 and trade in nature as at 31 December 2018.

(3) Commitments with related parties

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 Controlling Shareholder of the Company. Pursuant to the Agreement, European Asia Industrial Limited agreed to sell the 70% issued share capital of Euro Asia Aerosol for a consideration of HK$90,000,000 in cash. The Acquisition has been settled as at 29 March 2018.

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

	Year ended 31 December		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowances and benefits in kind	1,895	2,496	2,044
Pension scheme contributions	16	21	20
	1,911	2,517	2,064

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

33. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of each Relevant Periods are as follows:

	31 December 2016		31 December 2017		31 December 2018	
	Loans and receivables	Total	Loans and receivables	Total	Financial assets at amortised cost	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets						
Trade and bills receivables	34,091	34,091	42,487	42,487	39,242	39,242
Due from related parties	35,216	35,216	24,505	24,505	928	928
Financial assets included in prepayments, deposits and other receivables	7,721	7,721	13,268	13,268	9,171	9,171
Pledged deposits	8,232	8,232	5,417	5,417	4,930	4,930
Cash and cash equivalents	100,075	100,075	99,779	99,779	142,492	142,492
	185,335	185,335	185,456	185,456	196,763	196,763

	31 December 2016		31 December 2017		31 December 2018	
	Financial liabilities at amortised cost	Total	Financial liabilities at amortised cost	Total	Financial liabilities at amortised cost	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities						
Trade and bills payables	69,892	69,892	67,300	67,300	68,590	68,590
Due to related parties	21,812	21,812	16,221	16,221	330	330
Financial liabilities included in other payables and accruals	20,095	20,095	20,287	20,287	17,485	17,485
Interest-bearing bank borrowings	21,521	21,521	3,602	3,602	75,000	75,000
	133,320	133,320	107,410	107,410	161,405	161,405

34. Fair Value and Fair Value Hierarchy of Financial Instruments

At 31 December 2016, 2017 and 2018, the fair values of the Group's financial assets and financial liabilities approximated to their respective carrying amounts.

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

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

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

35. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank borrowings and 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 and bills receivables, other receivables, trade and bills 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 2016		
PBOC base rate	25	45
PBOC base rate	(25)	(45)
As at 31 December 2017		
PBOC base rate	25	4
PBOC base rate	(25)	(4)
As at 31 December 2018		
Hong Kong Interbank rate	25	147
Hong Kong Interbank rate	(25)	(147)

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales in currencies other than the units' functional currencies. Approximately 31%, 26% and 28% of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 99%, 99% and 98% of inventory costs were denominated in the units' functional currencies for the years ended 31 December 2016, 2017 and 2018, respectively.

The following table demonstrates the sensitivity at the end of each Relevant Periods 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**	**Increase/ (decrease) in equity***
	%	*HK$'000*	*HK$'000*
As at 31 December 2016			
If RMB weakens against US$	5	4,185	3,509
If RMB strengthens against US$	(5)	(4,185)	(3,509)
If RMB weakens against HK$	5	—	(17,946)
If RMB strengthens against HK$	(5)	—	17,946
As at 31 December 2017			
If RMB weakens against US$	5	4,913	4,102
If RMB strengthens against US$	(5)	(4,913)	(4,102)
If RMB weakens against HK$	5	—	(20,610)
If RMB strengthens against HK$	(5)	—	20,610
As at 31 December 2018			
If RMB weakens against US$	5	6,093	4,915
If RMB strengthens against US$	(5)	(6,093)	(4,915)
If RMB weakens against HK$	5	—	(20,704)
If RMB strengthens against HK$	(5)	—	20,704

* 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.

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are net carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables*	—	—	—	39,242	39,242
Financial assets included in prepayments, deposit and other receivables					
- Normal**	9,171	—	—	—	9,171
- Doubtful**	—	—	—	—	—
Due from related parties	928	—	—	—	928
Pledged deposits					
- Not yet past due	4,930	—	—	—	4,930
Cash and cash equivalents					
- Not yet past due	142,492	—	—	—	142,492
	157,521			39,242	196,763

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 19 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposit and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Maximum exposure as at 31 December 2016 and 2017

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, arises 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 54%, 48% and 41% 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 2016, 2017 and 2018, 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 combined financial statements.

Liquidity risk

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

The maturity profile of financial liabilities as at 31 December 2016, 2017 and 2018, based on the contractual undiscounted payments, was as follows:

	As at 31 December 2016			
	On demand	**Less than 1 year**	**Over 1 year**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	9,054	60,838	—	69,892
Financial liabilities included in other payables and accruals	—	20,095	—	20,095
Due to related parties and directors	21,812	—	—	21,812
Interest-bearing bank borrowings	—	17,741	5,247	22,988
	30,866	98,674	5,247	134,787

	As at 31 December 2017			
	On demand	**Less than 1 year**	**Over 1 year**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	5,243	62,057	—	67,300
Financial liabilities included in other payables and accruals	—	20,287	—	20,287
Due to related parties and directors	16,221	—	—	16,221
Interest-bearing bank borrowings	—	3,701	—	3,701
	21,464	86,045	—	107,509

	As at 31 December 2018			
	On demand	**Less than 1 year**	**Over 1 year**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	9,253	59,337	—	68,590
Financial liabilities included in other payables and accruals	—	17,485	—	17,485
Due to related parties and directors	330	—	—	330
Interest-bearing bank borrowings	—	—	80,695	80,695
	9,583	76,822	80,695	167,100

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 2016, 2017 and 2018.

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, amounts due to related parties and directors, less cash and cash equivalents and pledged deposits. Capital represents equity attributable to owners of the parent. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of each Relevant Periods is as follows:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Interest-bearing bank borrowings	21,521	3,602	75,000
Trade and bills payables	69,892	67,300	68,590
Financial liabilities included in other payables and accruals	20,095	20,287	17,485
Due to related parties and directors	21,812	16,221	330
Less: Cash and cash equivalents and pledged deposits	(108,307)	(105,196)	(147,422)
Net debt	25,013	2,214	13,983
Equity attributable to owners of the parent	211,832	268,786	220,803
Capital and net debt	236,845	271,000	234,786
Gearing ratio	11%	1%	6%

36. Events After the Relevant Periods

As at 17 May 2019, the Company granted a conditional Pre-IPO Share Options to 119 persons to subscribe for an aggregate of 7,765,000 shares. Details of the Pre-IPO Shares are set out in the paragraph headed "Pre-IPO Share Options Scheme" in Appendix V to the Listing Document.

37. Subsequent Financial Statements

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2018.